

CITIES OF DESIRE: REMAKING URBAN INDIA FOR THE INFORMATION
TECHNOLOGY SECTOR

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Sudeshna Mitra
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CITIES OF DESIRE: REMAKING URBAN INDIA FOR THE INFORMATION TECHNOLOGY SECTOR

Sudeshna Mitra, Ph. D.

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This dissertation analyzes the Information Technology sector's role in reshaping urban politics and space in India, post liberalization, through a comparative analysis of Kolkata and Hyderabad, both state capitals (of West Bengal and Andhra Pradesh respectively) and both second- tier investment destinations. The state governments represent opposite ends of India's political spectrum, with a communist government in West Bengal for thirty four years and a pro-market government in Andhra Pradesh, whose Chief Minister (Naidu) preferred to be called the state's CEO. Despite different ideologies, both governments devised high-profile strategies to attract the IT sector and facilitated high- end real estate enclaves and private land consolidation in urban peripheries, within which IT projects were prominent.

The ways in which hyper-modern imaginaries associated with the IT sector have strengthened an emergent high- value, high- risk real estate sector, through state support (infrastructure, use of Eminent Domain and new public- private partnerships) lie at the heart of post- liberalization changes in urban India. These changes highlight not only how India has become situated within new capital accumulation strategies, but also how state/ city scales have become more significant than the national scale in these strategies. I argue that the combined dynamics of the IT- Real Estate sectors have increased spatial fragmentation, speculation in land markets and economic and environmental vulnerability in both Kolkata and Hyderabad.

The IT sector's effects on urban India are compelling, but not unique. Contemporary development prescriptions encourage cities to compete for external investments. High-growth sectors often take center stage in such bidding, encouraging a broader context of regional competition. Interest from high-profile sectors is often used to measure local government efforts. Yet, singular focus on external investments often pressurizes local governments to participate in speculative strategies with investors, through leveraging of urban resources, particularly land. India's IT story highlights that if and when real estate investments are allowed to become a stand-in for economic development in a competitive bidding for 'growth', impacts such as state-supported speculation, vulnerability to investor perceptions and lower urban capacities to respond to economic/ environmental crises are likely at the city-region scale.

BIOGRAPHICAL SKETCH

Sudeshna worked as a consultant in a real estate consulting firm, CB Richard Ellis South Asia for a period of six years and advised government and public sector clients across India and South East Asia, on land-based economic infrastructure projects, including highways, airports, industrial parks and Special Economic Zones.

She holds a Bachelors Degree in Physical Planning and a Masters Degree in Urban Planning from the School of Planning and Architecture, New Delhi. She also holds a Masters Degree in City and Regional Planning from Cornell University.

She was a Visiting Lecturer at the Department of City and Regional Planning, Cornell University in 2012- 13. She taught two graduate courses, 'Urban and Spatial Theory' and 'International Institutions'. She advised undergraduate and graduate students on thesis length research projects on domestic and international public policy issues, using quantitative and qualitative methods, as a Tutor at Cornell in Washington, between 2010- 2012.

For Bapi and Ma

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TABLE OF CONTENTS

Biographical Sketch.....	iii
Dedication.....	iv
Acknowledgements.....	v
Table of Contents.....	vi
List of Illustrations.....	viii
List of Tables.....	ix
Chapter 1: Introduction.....	1
Research Question.....	2
Significance of Research.....	5
Methodology.....	7
Organization of Dissertation.....	13
Chapter 2: Theoretical Considerations.....	17
Chapter Organization.....	19
Section I: Enclave Economies.....	21
Section II: Braudel.....	31
Section III: Discourses and Aspirations.....	35
Section IV: Urban Speculation.....	42
Section V: Urban Vulnerability.....	49
Chapter 3: Economic and Political Regionalism Post- Liberalization.....	54
Economic Crisis and Liberalization in 1991.....	56
Regional Politics and Political Reinvention in West Bengal Andhra Pradesh	61
Attracting Investors to Hyderabad.....	68
Attracting Investors to Kolkata.....	72
Reporting Success: Hyderabad vs. West Bengal.....	77
The IT Sector and a New Development Discourse.....	78
Conclusion- Regionalism and a New Development Regime at State/ City Levels	85

Chapter 4: Present Spatialities of Development in Kolkata and Hyderabad.....	89
Kolkata and Hyderabad: State Capitals Showcasing State Government Strategies.....	92
Periurban Developments for New Investments.....	93
Remaking Peripheries in the Image of Technoburbs.....	103
The IT- Real Estate Nexus.....	105
Global Connections and Local Separations.....	109
Development Narratives: Contradictions and Omissions.....	117
Conclusions.....	122
Chapter 5: Liberalized Development Regime.....	129
New Planning and Development Agencies in the Periphery.....	132
Private Actors and Public- Private Partnerships.....	142
Real Estate Logics in Urban Development.....	152
State and Speculation.....	163
Conclusions.....	172
Chapter 6: Discursive Practices of 'Encroachment' vs. 'Development'.....	176
Producing 'Global' Periurban Cities.....	179
Designating Alternate Claims as 'Encroachments'.....	181
Remaking Urban- Periurban Relationships.....	184
Spillover from the Peripheries to the Main Cities.....	201
Informality to Welfare: The New Legal Space for the Urban Poor?.....	210
Conclusions.....	214
Chapter 7: Conclusions.....	218
Section 1: Political Ideologies.....	220
Section 2: The Role of the IT Sector.....	226
Section 3: Inter- Scalar Dynamics of Liberalization.....	228
Section 4: A New Generation of Enclaving.....	229
Section 5: Challenging Linear Development Narratives.....	232
Section 6: Summary.....	235
Appendix.....	237
Bibliography.....	241

LIST OF ILLUSTRATIONS

Illustration 1: Cyberabad Map.....	97
Illustration 2: Kolkata Agglomeration.....	99
Illustration 3: Sector V and Rajarhat Map.....	99
Illustration 4: First IT Campus at New Town.....	101
Illustration 5: Technopolis: Sector V.....	101
Illustration 6: New Road from Rajarhat to the Airport.....	110
Illustration 7: New Roads to Rajarhat.....	111
Illustration 8: New Road to Cyberabad	111
Illustration 9: ORR Alignment Map.....	113
Illustration 10: HiTech City at Cyberabad.....	114
Illustration 11: ORR under Construction.....	114
Illustration 12: Cooperative Formed by Those Who Lost Land at Rajarhat.....	120
Illustration 13: Extent of Land Consolidation for Rajarhat New Town.....	127
Illustration 14: IT Companies at Gachibowli.....	127
Illustration 15: Sector V Beautification by External Consultant.....	134
Illustration 16: Sector V Beautification by External Consultant (2).....	134
Illustration 17: IT Park Built by DLF, Developer at Gachibowli, Hyderabad.....	142
Illustration 18: McMansions at Gachibowli, Hyderabad.....	142
Illustration 19: Real Estate Returns along Value Chain.....	161
Illustration 20: Rock Formation at Cyberabad.....	172
Illustration 21: Cyberabad and Gachibowli Area Geology.....	172
Illustration 22: Mall at Rajarhat.....	180
Illustration 23: Ohio Hospital, USA at Rajarhat New Town.....	180
Illustration 24: ORR Alignment with SEZs.....	181
Illustration 25: HIDCO Map of New Town with Wetland Boundary.....	193
Illustration 26: Clay Deposited over Water Bodies at Rajarhat.....	194
Illustration 27: Waterbodies at Rajarhat.....	194
Illustration 28: Ground Water Conditions around Hyderabad.....	199
Illustration 29: Flooded Musi River- Bed.....	203
Illustration 30: South City Residential Towers.....	206

LIST OF TABLES

Table 1: Cumulative investment in INR billion 1995- 2004 and by percent in 2004.....	77
Table 2: Cumulative investment by foreign ownership (1995- 2004) in INR billion.....	78
Table 3: Area, population and growth in the Hyderabad urban agglomeration.....	118

Chapter 1: Introduction

In the 1990's, India emerged as an offshoring destination for the global Information Technology (IT) sector. India's global competencies in the Knowledge Economy sector, even at the low-skill end of the IT industry chain (Carmel and Tija, 2005), questioned dominant narratives about economic possibilities in the Global South, which until then had focused on global commodity chains taking advantage of low cost labor and new markets (Gereffi and Korzeniewicz 1994). New theories emerged envisioning agrarian economies 'leap-frogging' over the manufacturing stage and becoming service-led economies (Amsden 1989), countervailing Euro-American development trajectories. Fears of job loss linked to outsourcing became common in the US and Europe, even as books such as Friedman's 'The World is Flat' (2005), based on India's IT experiences, made elite visions of a hyper-modern future in the Global South (and India) part of a new global mythology of convergence. India's growing significance, alongside other 'emerging' economies such as China and Brazil in international development discussions, also highlights how the Indian IT story captivated mainstream 'globalization' discourses.

Yet, the success of the Indian IT sector as a global phenomenon and even its role as a driver of economic renaissance in India, are claims easily questioned. The global Software and IT services market offshores only 5% of its total expenditure (Carmel and Tija 2005)¹ and with a 7.5% contribution towards national GDP (NASSCOM² 2012), the IT sector 'driving' India's economic growth is about as relevant as imagining Hollywood driving US economic recovery. However

1 India accounts for 58% of outsourced business (NASSCOM 2011)

2 Established in 1988, the National Association of Software and Services Companies (NASSCOM) is the business association of IT companies in India

both within and outside India, the IT sector has been more significant than its numbers. It has become an aspirational ideal in the Global South and across socio-economic classes in India. It has encouraged 'catch-up' theories of development and renewed interest in economic enclaves to promote 'non-traditional' economic activities in the Global South (UNDP 2004). The attention and support the IT sector has received from the government, media and the public in India has discouraged critique and encouraged 'blind-spots'. Manufacturing enclaves in the Global South have attracted extensive critical research on environmental issues and labor issues, yet IT enclaves perceived as 'white-collar' phenomena, have evaded similar scrutiny, especially with regard to their role in normalizing processes of urban spatial and social fragmentation, through explicit use of both public and private power, often violently, to transfer land and facilitate change of land use to favor a few elite players.

Research Question

The Indian IT sector has attracted a lot of research. However most research is focused on understanding the internal dynamics of the sector and how it has evolved and navigated the global marketplace. In contrast, my dissertation is focused on assessing the sector's wider impacts on India's political economy. I argue that for India, the IT sector's enduring significance has been in terms of how it has facilitated liberalization, by creating a new development narrative closely tied to market reforms and privatization initiatives, and how it has changed social desires and imaginations of 'development' itself.

Liberalization was initiated in India in 1991, when a balance of payments crisis necessitated an IMF bailout. The IT sector's success brought new investor attention across sectors, just as the economy was opening up. Both the government and the private sector strategically used the IT story to promote investments and deregulation across sectors and pursue privatization of public infrastructure, such as airports and roads. Emigres who returned from the US after the global IT bubble burst in 2000, a new economically and politically powerful group, gave voice to transplanted ideas of development, particularly desires to transform urban India in the image of US- style IT suburbs. NASSCOM, the business association for the IT corporates and private consultancies such as McKinsey, enjoyed political leverage novel to Indian policy-making and played a key role in translating 'global' desires into policy and new exclusive urban enclaves. The widely-used political slogan, devised by the India's right-wing political party, the Bharatiya Janata Party (BJP), “India Shining” (2004), despite critiques, not only summarized elite imaginations regarding India's future but also new aspirations that cut across economic classes. For urban India, these changes spell new political collaborations and conflicts, that have reshaped objectives of urban development, processes of urban management and urban spatial structures. Periurban areas have emerged as the spatial focus of public and private desires intent on creating a parallel 'globalized' version of urban India.

My dissertation analyzes the role of the IT sector in reshaping urban politics and space in India, post-liberalization, through a comparative analysis of two cities, Kolkata and Hyderabad, both state capitals (of West Bengal and Andhra Pradesh respectively) and both deemed to be second-tier cities, in terms of their attractiveness to external investors, when India started liberalizing.

The two state governments, actively involved in transforming these cities into attractive investment destinations, represent opposite ends of the political spectrum in India's regional politics, with West Bengal under a democratically elected communist government (Communist Party of India- Marxist) for 34 years and Andhra Pradesh under a pro-market government (Telugu Desam Party), with Chandrababu Naidu as the Chief Minister, who preferred to be called the state's CEO. Despite different ideologies, both governments devised high-profile strategies to attract the IT sector to new periurban enclaves and both cities facilitated private consolidation of land and high-end real estate enclaves in the cities' peripheries, within which IT projects were prominent.

My dissertation asks the following questions:

1. How and why did decentralization of economic development efforts post-liberalization in India transform into city-level real estate strategies with the IT sector featuring prominently in political and economic discourse?
2. What impact did the IT- Real Estate nexus have on the cities' spatial economies and long-term sustainability challenges/ concerns?
3. What does the IT-Real Estate nexus reveal about state-making processes and emergent accumulation strategies post-liberalization in India?

The question of scale is central to this dissertation. The research acknowledges that transformations in the political economy are inherently inter-scalar, as such a methodology that incorporates inter-scalar dynamics within the mode of enquiry itself, is privileged. The questions

explore the dialectic relations of power between national and city scales, especially in terms of the new private sector actors who gained legitimacy and voice with the success of the IT sector and assumed a greater role within public decision-making, post-liberalization, such as developers, investors, consultants and business lobbies, such as NASSCOM (India's IT business association). The questions are also framed to assess how city-scale partnerships between the IT sector and the Real Estate sector, reveal changes at the national and global scales, i.e. how these partnerships highlight changes in state processes and citizenship contracts, within an increasingly neoliberal climate, at the national scale, and re-orientation of national strategies with regard to foreign investors, priority given to certain external investors and the forms of participation that were privileged within the global economy.

Significance of Research

The ways in which hyper-modern imaginaries associated with the IT sector have strengthened an emergent high-value, high-risk real estate sector (including consolidation of periurban lands in private hands), a dynamic supported by the local state through infrastructure, use of Eminent Domain and new public-private partnerships, lie at the heart of post-liberalization changes in urban India and form the core of this dissertation's research interests. These changes have been significant not only in terms of how India has become situated within global accumulation strategies, but also how state and city scales have become more significant than the national scale in these new accumulation strategies.

Through the empirical research undertaken in this dissertation, I argue that the combined dynamics of the IT- Real Estate sectors has perpetuated spatial fragmentation, state-supported speculation in urban land markets and increased economic and environmental vulnerability in both Kolkata and Hyderabad. As desires to be more 'global' were materialized through displacements, use of police force and spatially exclusive, gated enclaves, conflicts with alternate desires to produce urban space, economies and futures escalated, materializing as public protests, inter-departmental conflicts and growing popularity of other political parties. Ultimately, both the CPI(M) in West Bengal and the TDP in Andhra Pradesh lost their respective state elections, as aspirations to gain greater global relevance coalesced into elitist, urban- centric projects, requiring extensive statutory exceptions and use of police powers. The defeat of both parties came as a shock to urban elites and the English media, highlighting the growing disconnect between political realities in liberalized India.

The Indian IT sector's effects on urban India are compelling, but not unique. Contemporary development prescriptions across the North and South encourage cities to compete for external investments to promote urban growth. High-growth sectors (such as India's IT sector) often take center stage in such competitive bidding, allowing a broader context of regional competition to develop. Interest from high-profile sectors is often the unofficial metric used to measure local government efforts. Yet, singular focus on external investments often pressurizes local governments to participate in speculative strategies with investors, through the leveraging of urban resources, particularly land. The Indian IT story highlights that if and when real estate investments are allowed to become a stand-in for economic development in a competitive

bidding for 'growth', negative impacts such as state-supported speculation, vulnerability to global investor perceptions and lower urban capacities to respond to economic and environmental sustainability concerns, are likely at the city-region scale. The current recession has highlighted how local decisions to harbor speculative accumulation strategies, in order to participate in larger capital flows, can concatenate into a 'global' crisis. New public-private partnerships and investments in cities such as Kolkata and Hyderabad are important for understanding new forms of capital accumulation being instituted and for understanding future crises that may emerge in the global capitalist system.

My research adds to contemporary urban studies literature, by analyzing cities of the Global South as historically situated, contemporary economic agents of global capital accumulation, beyond their demographic diagnosis as 'megacities'. It questions development prescriptions that focus entirely on external investments to promote urban growth and questions valorization of hyper-modern projects, which seek to be 'post' history and/ or best practice models based on Euro-American norms and images, as preferred development 'solutions' in cities of the Global South aspiring to be more 'global'.

Methodology

This research is based on eleven months of field research in Kolkata and Hyderabad, supplemented by three months of pre-dissertation reconnaissance studies and post-dissertation follow-up. A multiple methods approach was used. More than 80 interviews were conducted, across the two cities, to build a multi- stakeholder perspective. People interviewed included those

in state government departments, city planning agencies, developers, real estate consultants, property brokers, representatives of business associations and real estate associations, civil society groups/ NGO spokespeople, displaced persons, academics and activists. Current and accurate data on new projects was difficult to find. As such, field work included observational site surveys to determine land development status, infrastructure development status, construction status, types of encroachments in areas where land had been acquired and/ or consolidated for new projects and assess the dynamics of real estate transactions in these areas.

Originally the research plan was modeled on straight-forward “fact finding”, i.e. identify policies and projects used to facilitate the IT sector in the two cities and use interviews and secondary data research to identify the original objectives and relative success/ failure of various initiatives. The hope was that such 'data' would then help review the spatial changes the two cities had encountered, assess the changes in urban politics and eventually help in evaluating the broader impacts on the cities' political economy, and what these changes signified at the state and national scales. I planned to focus on interviews with people holding public office and those working in various government agencies, such as the city development authority etc.

However, once I started, it became clear that I would need to interview more than those in government, to identify “what happened”. This was because, 1) many from the private sector were involved in decision-making and project implementation and, 2) the hyperbole and compulsive positive attitude was explicit in the official line, even when limitations of the official vision and conflicts over land acquisition and project implementation were clear. I was made

increasingly aware of these limitations and conflicts as I engaged with those in academia and those involved with community groups in Kolkata and Hyderabad. Ultimately, I changed my approach to give equal importance to all stakeholders – government officials, developers, business lobbies, consultants, displaced persons, community groups, academics etc. I planned to use the multi- stakeholder approach to collate 'data' about “what happened” and understand the significance of different events and policies for different stakeholders.

Then, I encountered a second set of difficulties. The narratives of different stakeholders in interviews, actively contradicted one another. To put it simply, someone or everyone was lying, to some degree or the other, not only because they 'remembered' differently, but also because they were actively making value judgements about what I “should” know, sometimes during the course of the interview itself. I had been prepared to be self- reflexive and acknowledge my biases during analysis, but was unprepared for “facts” themselves dispersing into subjective and contradictory narratives, colored by how interviewees perceived my politics (and biases and lenses). However, as I compared narratives of different stakeholders, I began to realize that their similarities and contradictions marked the contours of explicit and implicit conflicts and collaborations. I therefore stopped trying to fact check and cross- question my interviewees and moved to a more open- ended style of interviewing, which gave interviewees more space to expand on their version of the narrative, with minimal interventions from me. Even as I began to get multiple subjective interpretations of the truth, rather than a single objective truth, I gained analytical strength. The narratives of various stakeholders, not only revealed their perceptions of me, but also their perception of the political reality that they were operating within. These

perceptions of the political climate were analytically useful for understanding the eventual actions, reactions and responses of various stakeholders.

One of the most compelling examples was how land acquisition for New Town and Rajarhat, on the periphery of Kolkata, was described by government officials versus how it was described by those that were displaced. Most official narratives downplayed the agricultural yield of the acquired land. Meanwhile, they highlighted that the compensation amounts were some of the highest paid in the country and that the Rajarhat land acquisition model was a best practice model of efficiency in the state. In contrast, those that had been displaced spent hours (and multiple meetings) to show me photographs and documentation regarding the high fertility of the acquired land. They highlighted that the compensation amount had seemed like a lot in the beginning but was ultimately inadequate. They related events such as local election manipulations, gangs of local youth, on motorcycles that were given as inducement to gain their support, intimidating those that did not give up their land, the months when men in certain families, resisting acquisition, were too scared to return home for fear of being arrested (or worse), paramilitary forces that were deployed on the day the land was taken over, the women who lay down in front of government bulldozers, etc., which were completely absent in the official narratives and difficult to find in the city's English newspapers.

At the heart of the contradictory narratives and competing projects of establishing veracity was the question of the 'true' value of land and the exercise of power by different stakeholders to have their version of land value be legitimately accepted during processes of land transfer. For urban

decision makers the acquired land was a future consumption good that was still undeveloped, peripheral and lacking urban infrastructure at the time of acquisition. For those displaced, the land was a production resource, with good access to agricultural infrastructure, with a history of supporting a self-sufficient community, and acting as a shared community resource and social safety net, so households were only partially dependent on Kolkata's urban cash economy. This analysis regarding land valuation is elaborated in greater detail in Chapter 6 of this dissertation.

The political conflicts and contradictions I analyze, with regard to land valuation and adequate compensation, however go well beyond Kolkata. In September 2011, the 'Land Acquisition and Rehabilitation and Resettlement Bill' (LARR) was introduced in the Lok Sabha, the lower house of Parliament, to replace the Land Acquisition Act of 1894 (LA), the principal legal instrument for Eminent Domain in India, which had remained essentially unchanged since the British had conceptualized it before independence. Post- liberalization, as aspirational moves towards urban hypermodernity have become explicit, the LA Act, 1894 has been used extensively by state governments to reassign land ownership and differentiate between urban use value versus rural use value. As in the case of Kolkata, these state- driven projects have met with extensive public protests, many of which have turned violent. West Bengal has been one of the primary grounds for such conflicts, with the cases of Nandigram, Singur and Lalgarh, gaining national and international attention. These instances of violent conflict highlight how India's aspirational (mostly urban) elite wanting a hypermodern future and India's majority engaged in agriculture and other rural sectors have grown to occupy increasingly separate worlds. Through most of the two decades, post-liberalization, there has been an absence of legitimate space for public

dialogue and debate, which has led to the 'communication' between the two worlds becoming increasingly defined by the use of force, violence, conflict and protests, even as the two sets of narrative have become increasingly strident to prove their veracity and prioritize their interpretation of India's future. Perhaps, the small silver lining that has emerged from all the violence is that this central issue of land has now finally been pushed onto the national policy agenda.

Another example of apparent contradictions in interviewee narratives was in terms of how the significance of the IT sector was described by government officials in Kolkata and Hyderabad. In Hyderabad, government officials insisted that the IT sector was an engine of growth that had remade Hyderabad's position, not just nationally, but globally. In contrast, in Kolkata, a senior official in a new planning authority HIDCO, planning and executing the development of New Town, one of the main IT hubs in Kolkata, chided me for believing that the IT sector could ever be “economically enough” for a city as varied as Kolkata. The two interviews do not necessarily reflect the 'truth' about the relative importance of the IT sector in the urban economies of the two cities, rather they reveal the politics that an IT vision for the city encountered in the two cities. In Hyderabad, different government departments fell behind Chandrababu's IT visions, while in Kolkata, facilitating the IT sector was fraught with inter-departmental conflicts and contradictory envisioning of urban futures. The analysis in this dissertation builds on such contradictions that were encountered during field research.

Organization of Dissertation

Chapter 1: Introduction

The chapter provides a brief context of the Indian IT sector's role in the national economy and the overall liberalization project. The chapter includes the research questions, significance of the research, research methodology and structure of the dissertation. The chapter highlights that the critical thematic of this dissertation is the IT- Real Estate nexus that has emerged from the liberalization project in India.

Chapter 2: Theoretical Considerations

The chapter highlights the key theoretical arguments this dissertation builds upon. The dissertation critiques mainstream development prescriptions for countries in the global South, focused on external investments and the creation of enclave economies. My research argues that in pursuing such strategies, countries in the global South are more likely to leverage urban land and real estate to attract investor interest, thus allowing public and private speculation to be embedded within local urban economies. Speculative investors are often able to pay higher rents and over time land consolidation without actual development, and displacement of more sustainable urban uses, increases urban economic and environmental vulnerability.

Chapter 3: Economic and Political Regionalism Post-Liberalization

Liberalization in India has been associated with both economic and political decentralization. With new regional political parties forming governments at the state level, the decentralization of fiscal responsibility to the state level has increasingly become intertwined with regional agendas

to define regional identity and prove regional competitiveness. This has given a uniquely political flavor to inter-regional competition for investments. Also liberalization has not entirely been a top- down or externally enforced project. Rather, in both states and cities, the local histories of collaborations and conflicts between public and private sector actors has influenced and reshaped the processes of liberalization. This chapter analyzes the dynamics of economic and political regionalism, as a background to more detailed discussions of spatial strategies, policy changes and public- private collaborations in later chapters. The chapter highlights how promoting the IT sector was a strategically important component of pushing through a liberalization agenda for state governments in both West Bengal and Andhra Pradesh.

Chapter 4: Present Development Spatialities in Kolkata and Hyderabad

This chapter details the place- based economic incentives that were used to facilitate the IT sector in Kolkata and Hyderabad and analyzes how the spatiality of the two cities transformed as a result of these strategies. The chapter analyzes both periurban IT cities in Kolkata and Hyderabad, as well as new infrastructure initiatives that were put in place to encourage physical and economic separation between new periurban developments and main city areas.

Chapter 5: Liberalized Development Regime

This chapter highlights the parallel planning and development machinery that was created to manage new periurban developments in both cities. The chapter argues that these new 'globalized' cities normalized many aspects of neoliberal governance in the two cities, which spilled over to the main city, in terms of new norms and practices of governance, increased role

of private sector actors, priority given to external investors and high value real estate projects, promoting a more 'globalized' image of the cities, etc..

Chapter 6: Discursive Practices of 'Encroachment' vs. 'Development'

In this chapter a discursive analysis of how the terms 'development' and 'encroachment' were used both as legal instruments and as discourse, to transfer land ownership, change land use and implement new projects, within an overall context of neoliberal governance. The chapter argues that even though official objectives such as reducing urban speculation and controlling haphazard and illegal urban growth were used to justify land consolidation, designation of new development areas, new development regimes and new 'globalized' and hypermodern projects, in both cities, these interventions ultimately represented state decisions about who had the right to produce urban space. The chapter analyzes how elite illegalities were facilitated, while marginal urban uses and informality were deemed illegal, over time. Significant loss of livelihood was often associated with these progressive shift in legalities, engendering public protests and conflicts in both cities. The chapter analyzes how urban economic and environmental vulnerability has been affected.

Chapter 7: Conclusion

The final chapter summarizes the findings of this dissertation research. It analyzes what the city level dynamics reveal about liberalization and globalization processes at other scales, such as state and national levels. The chapter also highlights the overall theoretical contributions of this dissertation.

The research questions have been addressed across different chapters:

- Chapter 3, 4 and 5 address the first question regarding the decentralization of the national liberalization project into specific IT and real estate strategies at the state/ city level. Chapter 3 analyzes why this particular form of decentralization occurred through the processes of economic and political regionalism that emerged post-liberalization in India. Chapters 4 and 5 discuss the modalities used to institute this particular form of decentralization. Chapter 4 focuses on the spatial modalities, while Chapter 5 analyzes the institutional modalities used to implement the project at the state/ city level.
- Question 2 regarding the effects of this particular form of decentralization on the cities' spatial economies and sustainability, is discussed in chapters 4 and 6. The spatial effects are discussed in Chapter 4, while the long-term sustainability challenges, both economic and environmental, are discussed in Chapter 6.
- The final question about what the city-level nexus between the IT and the Real Estate sectors reveal about national state-making processes and global accumulation strategies being currently prioritized are discussed in the concluding Chapter 7.

Chapter 2: Theoretical Considerations

The latest round of economic transformations in the Global South associated with the growth of knowledge economy sectors, such as the IT sector, is often celebrated in mainstream globalization discourse as proof of a new economic era and global convergence. However, in practice these aspirational landscapes are physically, economically and socially separated from their surroundings through physical and legal barriers. In this dissertation, I argue that these new hypermodern service- economy based developments in the Global South represent a sophisticated iteration of enclave economies that emerged with the New International Division of Labor in the late 1960's and 70's. The new enclaving projects are markedly different from their predecessors, made famous as low- cost, environmentally and socially compromised manufacturing sweat-shops. In contrast, enclave- based developments researched in this dissertation are hyper-modern extensions of existing cities, extensive enough to have their own independent urban logic of real estate and connectivity, sometimes dwarfing the main city in scale. However, despite their high- end infrastructure, 'smart' buildings, high- value real estate projects and focus on high-end service economies, these new enclaves share many characteristics with their predecessors, such as a focus on external investments, reliance on an export-based economy, spatial and economic separation from the local economy and preferential government guarantees to shore up private profit motives. The theoretical objective of this dissertation is to examine how these developments are linked to emergent processes of urban speculation and urban vulnerability. The research critiques mainstream presumptions about global convergence

and expands on the literature on how new public- private collaborations are emerging to produce new, aspirational and extensive urban enclaves in the Global South.

In a world where most of the world's population will soon be urban, cities are becoming important sites for redefining relationships between state, society and markets. Enclave economies have been analyzed for their role in allowing differential definitions of citizenship and sovereignty to be implemented by states (Ong 2000), as they balance territorial logics of power (political vote base) with capitalist logics of power (role in facilitating flows of capital)³. The emergence of new hypermodern urban enclaves, reveal a rescaling of state functions, and highlight that regional and city scales are becoming more significant than the national scale, in terms of new public- private collaborations, new modalities of capital accumulation and navigating political conflict over the right to use and occupy space. The convergence of aspirations and politics of global elites beyond the North- South divide is manifest most explicitly at the city- scale. This dissertation extends the existing literature on enclaves by examining their contemporary hypermodern iterations, tied into public and private aspirations in the Global South to be post- history, to rewrite urban legacies in terms of the future and challenge imaginations of modernity rooted in the Global North. However, the research highlights these aspirational claims remain only partially realized, indicating the limits of such aspirations and revealing a new terrain of public- private collaborations and political negotiations.

3 Harvey uses the terms capitalist and territorial logics of power. He interprets them as economic power (derived from money, assets and flow/ circulation of capital) and (geo)political power (derived from state organizations), respectively. Harvey's theorization allows for analyses where states act on compromises between their political and economic objectives. Harvey's formulation argues against political and/ or economic reductionism and allows theorizations of the state to be understood in tension with the progression of capitalism.

The Asian financial crisis has faded from immediate public memory, but the questions it raised regarding the relationship between economic investments and real estate investments are still relevant. Using the case studies of Kolkata and Hyderabad, this dissertation examines the question of speculation embedded into strategies valorizing external investments as the preferred path to economic growth, especially with local state agencies leveraging land and real estate to create incentives for external investors. The research in this dissertation highlights that land, its valuation and designation of its use are once again the issues at the forefront of the politics of capital accumulation. Private land consolidation and new legalities of land ownership and production of space are some of the key facets of conflict and compromise in the expansion of capital accumulation across the Global South. The dissertation also examines how urban economic and environmental vulnerability may be linked to strategies facilitating external investors through enclaving.

Chapter Organization

This chapter is organized into four sections:

1. *Section I* highlights how the concept of enclave economies used to analyze and critique the global political economy, since the emergence of the New International Division of Labor in the late 1960's and 70's, continues to be an important strategic economic and political tool in the present world economy, especially for 'developing' countries.
2. *Section II* deals with Braudel's concept that the state has to assume the role of both a regulator and a guarantor to make exceptional private profits possible. Braudel's concepts

allow economic conceptualizations of enclave economies to be tied into theories of state and political economy and understand the political motivations of the state in promoting enclave economies.

3. *Section III* deals with the role of discourses, discursive practices and aspirations in urban development in the Global South. The dissertation is titled 'Cities of Desire' to highlight that cities are sites for competition and conflict over alternate claims on how urban space may be occupied and produced. 'Flat' world discourses, fail to capture and/ or accommodate alternate claims on producing urban space and elite visions of hypermodern development often remain only partially realized. This section engages with how discourses shape the politics of development in the Global South, and argues that both states and markets need to be analyzed as agents driven by aspirations and discourses, rather than pure economic and political strategies. The section explores the role of non- state actors in creating and proliferating new discourses of development. Examining discursive practices is an important methodological approach in this dissertation.
4. *Sections IV and V* highlight the two major conceptual contributions of this dissertation research, i.e. urban speculation and urban vulnerability, both tied to emergent dynamics of urban land consolidation, ownership, valuation and use. I argue that urban speculation is increasingly becoming a key strategy of the neoliberal, decentralized state. Therefore urban speculation needs to be analyzed as a practice, rather than just as outcome. Local

level state agencies caught between fiscal imperatives and aspirational global discourses in the Global South are strategically participating in speculative behavior, through a set of development practices that normalize and guarantee aspirational and exclusionary development projects to leverage local land and real estate resources for capital accumulation. These practices encourage local economies to become safe harbors for speculation, which increases their economic vulnerability. The dissertation also argues that expansion of speculative land banks into urban peripheries highlight how mainstream definitions of development are impacting the day- to- day ecological, social and (non-global) economic sustainability of vulnerable populations in cities such as Kolkata and Hyderabad and the concerns of urban economic and environmental vulnerability this raises for cities where the large majority of the population is economically dynamic, but non- globalized or partially globalized.

Section I: Enclave economies

‘Enclaves’ are so called since they are designed to be physically, legally, politically and often socially separated from the regions within which they are located and the terms of exchange between the enclave and its hinterland are strictly monitored and legislated. Enclaves as ‘free zones’, spatially bounded areas with special policy environments, to promote economic activities with an export focus and to attract foreign investment to finance those activities, were rediscovered in the 1950’s, with the first officially recognized zone being Shannon EPZ (Ireland) in 1959. Over time, enclaves have transformed in their physical and legal formats, as well as the ‘comprehensiveness’ of economic activities allowed within them. They now range from simple

warehousing facilities to assembling and processing zones, Special Economic Zones, Science and Technology Parks, as well as offshore financial centers.

Enclave economies have become key to capital accumulation strategies since the restructuring of the global economy in the late 1960's and the 1970's and the emergence of the New International Division of Labor (NIDL). With the NIDL the classic division of labor in which the world's industrial production was concentrated in the industrialized nations of the world, gave away to global production chains fragmented across national borders and manufacturing locations in the Global South. Enclaves such as industrial parks and export processing zones, became important components of national economic strategies in the Global South offering infrastructure and incentives to manufacturers and making it possible to have seamless international connections so that global production, despite spatial fragmentation, could be managed efficiently.

Harvey (2001) has analyzed the inherent tendency of capital to obliterate 'frictions' (labor, space and political/ social institutions, made unique through historic structuring) that constrain its perfect mobility to seek highest returns across a diversity of locations and economic sectors, while capitalizing differentially on locational advantages for capital accumulation such as proximity to resources, markets, externalized social costs (such as public health), cost advantages in labor etc. However these placeless utopias of capital mobility rarely emerge naturally. Neither do they remain uncontested once materialized. Typically local governments play a critical role, by separating certain areas from existing economies and populations and converting them to 'globally competitive' zones/ enclaves, where 'frictions' to capital are reduced and advantages

amplified through infrastructure, policies and subsidies. Over time the state has to enforce and maintain the privilege of these enclaves. As such, enclaves and enclave led economic strategies are not a 'natural' economic phenomena, but rather a manifestation of explicit state policy to engage with the global economy in specific ways. Enclaves becoming integral and proliferating in tandem with the expansion of the global economy post- NIDL, speaks to the fundamental character of neoliberalism, i.e. a close relationship between states and markets in the current cycle of accumulation and the explicit political intent facilitating the expansion of business. Hence, any examination of enclaves must necessarily also be an examination of the state's role in capital accumulation.

Enclave economies in the Global South have been researched and critiqued at length. On one hand, they allow countries without good general infrastructure to focus infrastructure investments and become globally competitive manufacturing hubs. On the other hand, indicative scholarly critiquing enclaves include works on environmental degradation and dumping (Frey 2003), exploitation (Pyle 2001, Beneria 2001) and promotion of sweat-shops, such as *maquiladoras* in Mexico, which were booming in the 1990's through the aegis of NAFTA (Campbell 2002). Some of the most pernicious enclaves, continue to be resource extraction sites in Africa, Latin America and Asia used to transfer mineral, forest and other primary resources for trade and consumption outside the producing country. Many critics highlight the frequency with which enclaves have been associated with increase in economic growth, without general economic development and/ or welfare as well as a general decline in the quality of life at the host location. However, one of the most enduring critiques of enclaves has been regarding their

role in facilitating capital mobility. Global 'best practices' used to standardize enclaves across locations, allow place- based costs (labor and infrastructure) to be 'flattened', while place- based advantages (access to resources) are amplified and supplemented with incentives and subsidies. For corporates, it offers opportunities to externalize short term costs (such as job training) and long term costs (such as environmental clean-ups and poor social safety nets) onto the local state and specific places, especially if they can successfully engage multiple regions and countries in bidding wars. Competitive bidding or a 'race to the bottom', in which place- specific resources such as land and labor are leveraged (tax holidays, suspension of labor and environmental laws) by the national/ local state to attract investors and manufacturers away from competing locations, has become more common in the latter half of the twentieth century.

Despite critiques, the overall perception of enclaving as a state strategy has changed with the growth of ICTs and Knowledge Economy sectors in the Global South. The rise of the 'Asia 8' (S.Korea, China, Malaysia, Taiwan, Thailand, India, Indonesia and Philippines) has been attributed to the strategic use of enclaves as platforms to deliver high levels of infrastructure and service, both to domestic firms and off-shored firms in high technology sectors and high end service sectors. Specialized enclaves or 'planned technopoles' (Castells and Hall 1994) have been central to regional economic strategies targeting technology firms, around the world. These enclaves are meant to serve at least two purposes: 1) offer conducive physical and fiscal environment, and 2) promote innovation through clustering. Promoting innovation often involves close links to research universities. However in many countries of the South, infrastructure rather than innovation remains the key advantage of technology parks, especially when general urban

infrastructure and civic amenities are poor and/ or lacking. The American technoburb has emerged as an important spatial blueprint for technology parks in the Global South. Unique characteristics, such as low suburban densities, campus- style development, gated cities targeting a specific economic sector, etc. that emerged from a particular American history of suburbanization and technological innovation, have nonetheless become 'best practice' norms around the world, with the global diffusion of US based IT companies, 'reverse brain drain' (Saxenian 2002), global mobility of IT workers and inter-referencing by governments, international agencies (including UNDP and World Bank) and multinational consultancies (such as McKinsey)⁴. As 'white-collar' phenomena, high technology enclaves, especially those targeting service- sector firms, rather than manufacturing firms, have evaded the kind of critical scrutiny that previous iterations of enclaves attracted. Mainstream development advice from Bretton Woods institutions, such as UNDP, encourage enclaves in 'developing' countries to attract 'non- traditional' sectors (UNDP 2004), often an euphemism for high technology firms. Such advice is accompanied by discourse, focusing on the potential of enclaves to promote regional industrial clusters and spur learning and innovation.

Enclaves often represent a negotiated compromise between territorial and capitalist logics of power (Harvey 2001, Jessop 2002, 2004, 2006) and as such, are not really representations of forced expansion of capitalism in the Global South. Governments in the Global South have used

4 A recent report on 'best practices' for IT Parks (2013) commissioned by the Global ICT Department of the World Bank Group in partnership with PriceWaterHouse Coopers, makes a case for inter-referencing, "given the potential complexity of these projects and scope of required investments, the growing interest of governments in developing and transition economies in designing and promoting such projects, and their needs for policy advice and financial support from the donor community, there is a pressing need for a synthesis of best practices and lessons learned (both from success and failure). Source: InfoDev website <http://www.infodev.org/en/project.82.html>

an enclave strategy to combine political ambitions for greater relevance within the global political economy with a domestic agenda of planning and phasing development. India (as well as China) are good examples of countries that have successfully used enclave economies to contain the extent and rate of liberalization domestically. These strategies have facilitated the growth of domestic industries without threat of foreign multinationals and protected economic production and exchange in sectors such as agriculture and retail, which employ many, even as the countries' global connections have expanded. In both countries, enclaves have been used to explore new public- private collaborations both within and across borders. As such, this dissertation is not a critique of enclaves writ large, rather the theoretical concerns are more focused towards understanding the compromises that have been instituted by the state through enclaves and the wider implications of those compromises. More specifically, my research explores the compromises around land and real estate, which have encouraged urban fragmentation, large- scale dispossession and speculation within enclave economies, thus limiting the possibilities of using them within a broader context of development.

Social and economic fragmentation

Massey et al. (1992) strike a note of caution against simple valorization of enclaves as incubators, employment generators and innovation hubs. In their study of Science Parks in the UK, they highlight the importance of contextualizing these developments within local social structures, i.e. the local economy and overall public expenditure they consume. They highlight that Parks which are developed acknowledging previous cycles of capital accumulation at a particular location, survive longer and have a positive impact on the economy. Meanwhile, Parks

that behave like elite enclaves have shorter life- spans and reveal a contentious relationship to the local economy. Although not explicitly polluting and/ or exploitative of its employees, high- tech enclaves are exclusionary, like their predecessors. As such their role in normalizing processes of spatial fragmentation are still critical. Many of these enclaves are not islands created in rural hinterlands. Rather they are extensions of existing cities or they claim to be stand- alone urban centers (such as IT cities), as such the spatial segregation they represent is increasingly manifest and embedded into the urban fabric of existing cities, both in practice and in the discourses guiding the development of these cities. Urban spatial and social fragmentation is exacerbated by the explicit use of both public and private power, often violently, to transfer land and facilitate change of land use to favor a few elite players.

Parr (1999) highlights in his review of induced growth poles that enclaves deliver static 'factor' advantages and subsidies to a privileged group of elites, who may or may not be internally networked in terms of learning or production, but do act as a focused target segment for access to credit, insurance, infrastructure, land, as well as a privileged regulatory framework for global trade and financial exchange. His review highlights that the advantages of enclaving may emerge from at least two types of networks 1) learning networks and/ or 2) elite networks. Even though much of the literature on technology enclaves focus on learning networks, the research in this dissertation is more concerned with the privileging of elite networks that enclaving makes possible. In the case study cities, the enclaving projects that have been promoted by local state agencies have spilled out into large scale private land consolidations in urban peripheries, at a scale that rivals the scale of the main city itself. Preferred public-private relationships have

effectively controlled who can produce urban space in these areas. This dissertation argues that enclaving projects premised on privileging elite networks institutionalizes spatial and economic fragmentation in a city, using a discourse of external investments and economic growth.

Hypermodernity and Dispossession

Many cities of the Global South looking for greater regional/ national/ global relevance are locked into projects of globalization and hypermodernity, and attracting investments from high technology sectors and the populations associated with them (highly educated, globally mobile and upper income) is often a preferred strategy. The extensive rewriting of urban areas to accommodate these visions of hypermodernity, represents a significant scaling up of the basic enclave logic. The spaces created for high technology sectors act as bridges to larger city- scale projects of rewriting urban landscapes to inter-reference more developed, more 'global' urban nodes. These projects reveal a change in definitions of urban development itself, often to the detriment of existing urban populations. In India, new landscapes in urban peripheries rival and often obfuscate existing urban areas and their issues.

Harvey's thesis of 'accumulation through dispossession' critiques linear imaginations of development, i.e, underdevelopment giving away to development. Rather he argues that development occurs through displacements, dispossessions and often violent use of public and private force to replace one set of users with another set of users. Thus development is always accompanied by underdevelopment, both being simultaneous processes. An overall increase in development is therefore not automatic, but rather premised on managing processes of land

transfer and interventions that allow development to be inclusive. The project of modernity in itself is not pernicious, if materialized via legitimate opportunities for the exiting urban population. However, in these new extensive enclaves high end real estate and large scale land consolidation in private hands are the primary focus, which highlights the kind of urban fragmentation being normalized.

In line with Harvey's thesis, this dissertation argues that the extensive rewrite of urban peripheries in Indian cities, to pursue hypermodern aspirations has been achieved through processes of extensive displacement and dispossession, via the transfer of land from one set of population to another (based on a particular top- down vision of urban development). These transfers not only raise questions about livelihood of marginal populations, how land is valued, how 'adequate' compensation is decided, but also raises questions about long- term urban economic and environmental sustainability, as the displacement affect urban systems of food, water and waste. Harvey's thesis is also used in this dissertation to argue that public protests against these new development projects need to be analyzed in terms of alternate claims on urban land, both as a production resource and as a source of urban rents, rather than a 'failure' of the local state, as is common.

Rescaling of State

Enclaving projects also reveal a rescaling of state, with local and regional level of governments becoming more important than the national government, in facilitating new capital accumulation strategies by subsidizing and leveraging land and other local resources. The geographies of state

power have been fundamentally rescaled in the last four decades of the neoliberal era, with cities, regions, enclaves (a decentralized spatial scale) becoming more central to the global political economy (Brenner 2004). My dissertation will analyze post- liberalization decentralization and emergence of regional political parties in India, and how these have contributed to changing relationships between different scales of government (from the local to the national) and a rescaling of the state. The two state governments studied in these dissertation have divergent political ideologies ranging from the pro- market to the communist. They reveal interesting differences and parallels in terms how they have managed a neoliberal economic agenda, privileging global aspirations through economically exclusive zones and policies, with a popular political agenda, trying to create a broader support base amongst the electorate that is not globalized and/or rural (the majority) in order to be re- elected.

The rescaling of state is also tied into how real estate logics have become embedded within local state strategies. In India, liberalization devolved financial responsibility to state governments, who needed to restructure their relations with the private sector and external investors, to become financially viable and competitive. New urban financing mechanisms at the city level, defined by fiscal conservatism, fell back on the use of real estate to cross- subsidize capital- intensive infrastructure projects, etc.

Section II: Braudel

The unique relationship between state and private capital in an enclave economy is best understood in terms of Braudel's formulation regarding the two roles of the state- regulator and

guarantor. As a regulator, the state controls price, the chief instrument used by private capital to create monopoly, thus allowing conditions of a 'free' market and 'true' competitiveness to survive, without monopolistic and oligopolistic tendencies taking over. Conversely, as a guarantor, the state guarantees monopoly. Braudel highlights the state is often 'the creator' of monopoly and the biggest monopolies would not be possible without active state support and state guarantees allowing 'exceptional' profits to be harbored within a market system. He identifies the hegemonic state within a particular cycle of capitalist accumulation acting as the guarantor of a particular cycle. Braudel's conceptions extend the Marxist explanation of enclaves as 'capitalist fixes'. The built-in need within capitalist accumulation for ever-higher profits leads to periodic crises as a particular system of capitalist organization in space and in terms of financial instruments hit natural limits, such as resource costs that cannot be lowered, saturated markets, unused production capacities, inflation, and/ or over-leveraged markets. These crises leads to a search for 'fixes' in terms of geographic expansion and rearrangements (spatial fixes), new forms of financialization (temporal fixes) and combinations of the two (spatio-temporal fixes). The dynamics Braudel theorizes with regard to capitalism and the state's relationship to it, may be extended to understanding the two hallmarks of contemporary neoliberalism – the key role that sub-national and metropolitan regions (connected and competing with one another) play in contemporary capitalism and the growing importance of the state at these sub-national scales.

Braudel hypothesizes that states facilitate exceptional private profits when they rescind their role of 'regulator' and take on the role of a 'guarantor'. In my dissertation, I argue that states do not

necessarily rescind their role as regulator, but rather incrementally institute differential and 'exceptional' legal and spatial regimes that give preference to certain private players. Agamben (2005) argues that in situations of military emergency, governments create states of exception, which allows them to use the law to suspend the law and assume absolute power. Ong (2006) argues that Agamben's argument may be extended to the economic realm and neoliberalism represents a state of exception, where the rules of both citizenship and sovereignty are rewritten to allow states to provide economic preferences to a select few. Ong (2000) analyzes enclaves as zones of 'graduated sovereignty'; spaces demarcated by states, which represent "legal 'compromises' in national sovereignty" (pp.66), as a way for the state to join transnational networks of capital and participate in capitalist relations with other states. These compromises impact not only state sovereignty, but also renegotiates the state- citizen compact. Jessop (2004, 2006) analyzes these compromises as the state acting as gate- keeper to make 'extra-economic' essentials of a capitalist system, that are not commodities, i.e. labor, land and money, preferentially available to a few. In my research I highlight that enclaves and enclaved developments are spatial 'exceptions', within which the state can change the norms of being a regulator and guarantor, with greater ease. These conceptions of Braudel, Ong, Harvey and Jessop allow theories of state to be considered alongside the expansion of global capitalism. They also allow a political economy analysis of enclaves, with reference to both theories of state as well as capital accumulation.

It is also useful to understand Braudel's particular views on capitalism, which have been used to develop the concept of speculation in this dissertation. Braudel uses a three tier conception of

‘material life’, ‘economic life’ and ‘capitalism’ as one of the fundamental concepts to understand the trajectory of history. Wallerstein (1991) terms Braudel’s conception as ‘everything upside down’ since it is counter-intuitive to the two “great antagonistic worldviews of the nineteenth century, classical liberalism and classical Marxism” (pp. 354). In Braudel’s conception ‘economic life’, the second tier, was the realm of ‘micro-capitalism’ and a zone for ‘small profits’. It was the realm marked by regularities of supply and demand and those activities that were ‘truly competitive’. Market economy was a zone of “horizontal communications between different markets (note the plural): here a degree of automatic coordination usually links, supply, demand and prices” (pp. 356). ‘Capitalism’, the highest tier, also called the ‘anti-market’ by Braudel, on the other hand, was the zone “where the great predators roam and the law of the jungle operates” (quoting Braudel in Wallerstein 1991, pp. 356). The zone of ‘capitalism’ was ‘anti-market’ because all the rules of the market that informed early liberal theorists were turned around. It was the zone of monopolists, a ‘shadowy few’ that operated on the logic of power, such that demand and supply did not have the wherewithal to come into play; a zone whose potential was in the “concentrations it made possible... and unrivaled machine for the rapid reproduction and increase of capital”(p 356) . Braudel differentiates ‘real’ capitalism, “with its mighty networks, its operations which already seemed diabolical to common mortals. The zone of capitalism was the realm of investment and of a high rate of capital formation, the zone of "exceptional profits"⁵. Where profit reaches very high voltages, there and there alone is

5 In the current conjuncture, unregulated international finance shares many of the characteristics that Braudel predicted. Palan (1998) in describing “offshore finance” says, “...it is now estimated that about 80% of international banking transactions (in volume) take place in offshore financial markets... the offshore financial market is increasingly operating as a large casino and as a result the financial system is increasingly divorced from the global production system... the effect of that is that, rather than servicing production and trade, some experts now believe that the global financial system in fact diverts resources from the ‘real’ economy into pure speculation... it is argued that the operation of this global casino systematically diverts resources from central banks towards private hands... last but not least, secrecy and speed of operations has proved a boon to money

capitalism, yesterday like today. But although the profits of capitalists were high, they were not regular, like an annual harvest. Profit rates varied all the time” (pp. 355). Braudel identified ‘real’ capitalists as those “who handled large sums of money- their own or other people’s... Money ever more money was needed: to tide over the long wait, the reverses, the shocks and delays” (pp.356).

Braudel's formulation regarding the two roles of the state, as guarantor and regulator, as well as his thesis regarding the 'anti- market', where monopolistic logics prevail over 'free' market logics, are central to the theoretical conceptualizations in this dissertation. The periurban developments in Kolkata and Hyderabad, developed through state support to facilitate inward investment, exemplify Braudel's thesis. Many of the factors identified by Braudel are present in these developments, including state guarantee for high profits to external investors, real estate players and developers using land as the tool to capitalize highest returns on investment, real estate speculation associated with urban India's status as an 'emerging' land market, offering investors a high- risk, high- return options. The recent global recession highlights the impacts that may be triggered by the collapse of speculation harbored within local urban land markets. The examples of Kolkata and Hyderabad highlight, that these tendencies are not just a phenomenon to be wary of in over- leveraged markets in the Global North, but also understood as tendencies being progressively entrenched into urban economies around the world, as they compete to attract global flows of capital.

launders, drug traffickers and other criminals” (pp.66).

Section III: Discourses and Aspirations

Within neoliberal definitions, 'globalized' spaces exemplify 'development', and in case of cities in the Global South, typically imagined as counterposed over a background of underdevelopment and poverty. Friedman's (2005) marvel at ruminating cows outside an IT Park in Bangalore is an evocative cliché of how easily the 'flat world' framing correlates the 'globalized' with 'development' and 'the rest' with 'under- development'. Discursive practices encouraged by the imageries of a 'flat' world, not only reify 'global' urban spaces and their imaginations over existing urban spaces and economies, but also deem spaces not explicitly part of the 'global' project to be increasingly problematic and in many cases illegal.

The IT sector has become an emblem of India's push towards 'globalization' both within and outside the country. State and city government plans to facilitate the IT sector and incorporate e-governance measures are both seen as positive steps towards modernization and as efforts to engage with 'global' markets and aspirations. Even the idea of the 'IT city' that has become popular across cities, since Bangalore became a global hub for offshore IT services, is a particular interpretation of how an Indian city may aspire to be a 'global/ 'world' city. This conception correlates to Sassen's (1991) thesis about 'global' cities acting not simply acting as 'command and control' centers of the world economy⁶, but as 'global service centers', especially for production of financial and service products and as clearing houses of financial transactions. Sassen characterizes the connections between global cities as 'systemic' and therefore co-dependent rather than competitive, however by using the examples of New York, London and

6 This builds on Friedmann (1986)'s 'world city hypothesis' about “the spatial organization of the new international division of labor” (p.69).

Tokyo, she makes more than a passing reference to Friedmann's earlier 'world city' thesis about a global hierarchy of urban centers, with a few key centers acting as 'command and control' nodes. Sassen and Friedman both conceptualize a rather static global economic order of urban importance, within which the role of certain key urban centers is emphasized. Yet, the effect of these theses on 'globalization' dynamics has been to spur competitive aspirational projects amongst second and third- order cities around the world, wanting to become the next regional and/ or global node like New York, London or Tokyo, by playing a bigger role as a financial and higher-order services center. Sassen theorizes a systemic relationship between global cities, yet her work has encouraged competitive discourses and practices between cities trying to either consolidate an existing position or gain a higher position within the global economic order.

To understand these competitive and aspirational projects, it is important to consider the relationship between discourse and state/ market actions, as theorized by Cameron and Palan (2004), who highlight the powerful discursive impetus of the term 'globalization' on public and private actions. 'Globalization' has been critiqued by scholars as a fuzzy concept used to describe both the process of increasing globality and the result of these processes (Rosenberg, 2000). Early narratives of 'globalization', treat it as an inexorable force threatening the nation-state and even geography. Over time these theories have evolved into more sophisticated Gramscian interpretations of globalization as a hegemonic influence with elements of consent and coercion. Current theories acknowledge 'globalization' comprises of multiple, fragmented, often contradictory processes. Yet, earlier, 'cruder' theories of 'globalization' as a simple external force, continue to be popular with the media and with corporate and government policy-makers.

Cameron and Palan warn against the tendency amongst 'serious' researchers to dismiss early theories as incorrect and 'crude'. They highlight that scholarly refutations and increasing sophistication of theorization, often remains within the rarefied domain of academia. Business and policy makers continue to strategize as per linear narratives of globalization and prepare for a globalized future through mergers, acquisitions and business expansions. Harvey historicizes globalization's discursive impact (what it helped soften and normalize) as follows,

“Globalization seems first to have acquired its prominence as American Express advertised its global reach of its credit card in the mid 1970s. The term then spread like wildfire in the financial and business press, mainly as legitimation for the deregulation of financial markets. It then helped make the diminution in state powers to regulate capital flows seem inevitable and become an extraordinarily powerful political tool in the disempowerment of national and working class movements and trade union power (labor discipline and fiscal austerity – often imposed by the International Monetary Fund and the World Bank – became essential to achieving internal stability and international competitiveness). And by the mid 1980s it helped create a heady atmosphere of entrepreneurial optimism around the theme of the liberation of markets from state control. It became a central concept, in short, associated with the brave new world of globalizing neo-liberalism. It helped make it seem as if we were entering upon a new era (with a touch of teleological inevitability thrown in) and thereby became part of that package of concepts that distinguished between then and now in terms of political possibilities.”

As Harvey highlights actions taken in the name of 'globalization' collectively manifest the very future, whose visions they are driven by. Researchers trivializing 'crude' early theories, therefore fail to acknowledge the significance of the relationship between discourse and practice.

Relationships between discourses and state/ market actions have been given special consideration in this dissertation. The term 'discursive practices' has been used to explore sets of actions motivated by discourse. The IT sector in India is especially interesting from this perspective. It is easy to refute the uncritical valorization of the sector and its significance within the Indian economy (see Chapter 1). However, the effect of the sector goes well beyond its numbers and the strategies to promote the sector need to be understood in terms of their relationship to discourse, as well as alternate projects of capital accumulation, rather than simply as pure sector- specific economic strategies.

In 'Worlding Cities' (Roy and Ong 2011), the concept of 'world cities' is theorized as a process rather than outcome. Roy and Ong do not treat 'world cities' as an *a priori* framework for global capitalist flows. Rather they collate a series of research that look beyond London, New York, etc. and focus on cities in Asia, engaged in competitive economic and political projects to become more globalized. The book uses the term 'worlding' to analyze regional, national and global, economic and political ambitions that motivate competitive, innovative and conflicted projects to problem- solve (urban) development issues and to make cities more competitive. Such aspirational 'worlding' practices speaks well to the transformations that Kolkata and Hyderabad experienced post-liberalization and how their respective state governments played a key role in transforming them from second- tier investment destinations to first-tier investment destinations

(although more recently Kolkata may be argued to have slipped back into a second- tier position again).

Also relevant is the analysis of 'world city' as presented by Massey (2007). In her book about London, Massey critiques the predominantly economic and hyper- modern conceptions of global financial and service linkages underlying mainstream interpretations of what it means to be a 'world city'. She argues that London is a 'world- city' not just for economic reasons. She highlights the global interlinkages underlying the conflicts, contradictions and potentials embedded into London's every-day life by the diversity of its people (local, regional diasporic, migrant, across classes), their aspirations, beliefs, resource flows and vulnerability. She highlights how the clean, hypermodern, 'globalized' landscape of Canary Wharf continues to proclaim London as a 'world city' both to Londoners and to those aspiring to be like London, hiding urban fragmentations and political conflicts over production of urban space that constitutes London's 'world-city' reality. Massey's book highlights that mainstream conceptions (and often the best- practice norms) of 'world cities' are impossible ideals, placeless utopias that may be materialized only through conflict, displacement and state intervention, even in a city such as London. Her work highlights the need to look beyond idealized enclaves and the need for political and social analysis of economic 'world city' projects and development prescriptions. In India, the hype around the IT sector reveals a similar impossible spatial and economic ideal, institutionalized into a global fantasy by Thomas Friedman's book, 'The World Is Flat'. This dissertation adds to the yet limited research on the sector's effects on India's political economy of facilitating the IT sector, particularly the ways in which creating clean, new, apolitical and

hypermodern 'IT cities' in India is tied into processes of urban fragmentation and increasing urban economic and environmental vulnerability.

In analyzing discursive practices it is important to examine new non- state actors and their role in creating and proliferating new aspirational discourses. There is increasing research interest in the emergence of a new class of urban elites in the Global South, who value transnational mobility and are keen to participate in a 'global' economy and enjoy a 'global' lifestyle. This new generation of elites are more comfortable in inter-referencing their lifestyle demands on elites from other countries, rather than their immediate neighbors. The 'demands' of these elites draw from global benchmarks and include low density housing and work environments, landscaped green areas, higher quality of infrastructure, consumer- friendly governance (both public and quasi- public), etc. International consulting firms, private developers and corporate business lobbies have reinforced global inter-referencing and governments have accommodated and prioritized these demands via new enclaves and through new exclusions imposed on urban public spaces. Legislation accompanying Technology Parks and IT cities have been designed to permit greater transnational mobility to those associated with them (Bunnell 2002, Van Grunsven 2008). In case of India, Saxenian (2005) highlights a 'reverse brain drain' after the global IT bubble bust in 2000 and a diaspora that returned from American IT suburbs to India, with investments for a services- led IT industry and a development imagination colored by US- style suburban landscapes. NASSCOM, the business association of IT companies, aided by multinational management consulting firms such as McKenzie institutionalized these individual demands and lobbied for creating separate IT cities. Moreover the success of this new group of elites depended

on liberalization, and NASSCOM emerged as an important political lobby not only for sector-specific incentives and spatial exclusiveness for the IT sector, but for opening up the Indian economy across sectors, such as retail etc., as well.

Massey et al. (1992) have argued that ICTs in the world of work has reinforced a new, more unequal and polarized social division of labor, with high technology workers enjoying a privileged status, which separates them from not only manufacturing workers, but also other service- sector workers. Massey's argument regarding the privilege of technology workers linked to their specialization and relative mobility within the transnational world of work, may be extended to elites in other high end service economy, termed as the FIRE sectors, i.e. finance, insurance and real estate, which have emerged in new globalized enclaves in both Kolkata and Hyderabad.

However even as discourses of liberalization, globalization and hypermodernity have gained space and political traction amongst policy- makers, the practices through which these visions have been materialized have been tied into processes of displacement, violence and transfer of land from the marginalized to the elites. The dissertation is titled 'Cities of Desire' to highlight that cities are sites for competition and conflict over alternate claims on how urban space may be occupied and produced, tied into social economies sustaining its population. 'Flat' world discourses imagine linear development trajectories and are often associated with 'top- down' elite visions and prescriptions of what is good for the Global South. Yet they often remain partially (or wholly) unrealized, which is often deemed either a 'failure' of the local state or the collateral

damage of 'street' politics⁷. This dissertation argues that these partial projects need to be analyzed as the net effect of competing desires to produce urban space and in terms of resistance from those who do not share, who are not allowed to participate and who are being progressively displaced/ criminalized by these visions. This approach allows a discussion of not only the politics of development in the Global South, but also allows the state and the market to be discussed as agents driven by aspirations and discourses, rather than pure economic and political strategies.

Section IV: Urban Speculation

Contemporary development prescriptions across the North and South encourage cities to compete for external investments to promote urban growth. High-growth sectors (such as India's IT sector) often take center stage in such competitive bidding, allowing a broader context of regional competition to develop. Interest from high-profile sectors is often the unofficial metric used to measure local government efforts. Yet, singular focus on external investments often pressurizes local governments to participate in speculative strategies with investors, through the leveraging of urban resources, particularly land. This dissertation is concerned with practices of speculation being embedded into urban land and real estate through consolidation and transformation of use, in countries of the global South, as they materialize discourses of competitive neoliberal governance, economic liberalization and global integration.

7 A term used by noted economist Amartya Sen to critique protests against land acquisition to develop a car factory for the TATA Nano at Singur, West Bengal- See "Huge Price of Street Politics- Amartya Sen on the Singur Situation" The Telegraph, September 20, 2008 at http://www.telegraphindia.com/1080920/jsp/frontpage/story_9861298.jsp

Politics of New Land- Based Accumulation Strategies

Massey et al. (1992) argue that Science Parks are ultimately 'property initiatives', "indeed much of the discussion and concern about Science Parks on behalf of their financial participants is centered far more on a logic of accumulation through real estate than any concerns about production" (pg. 213). Enclaving for the IT sector in India stresses the importance of high end real estate developments, often through the participation of high- profile private developers. Thus, the real estate motivation in hypermodern enclaves⁸ is particularly strong. However, the visual and spatial transformation of urban peripheries in the case study cities indicates that this focus on real estate is not limited to the enclaves themselves. Rather, high technology enclaves are simply a stepping stone towards wider urban rewrites to accommodate external investments across a broad range of economic and real estate sectors, with a nexus developing between high technology sectors and an emergent high- value, speculative real estate sector. The nexus is characterized not only by their overall politics in favor of liberalization, globalization, financial deregulation and external investments, but also the overlapping institutional means through which they gain the attention of the state, including a parallel advisory- governance machinery comprising of international consulting firms, business lobbies, high profile investor meets, etc.

8 Since the 1980's, enclave economies have increasingly become important in facilitating financialized flows of global capital and elite networks across locations and across national borders. Many enclaves, especially those targeting high-end service sectors offer access to specialized higher order financial services and facilitate greater freedom in moving capital across borders. Palan (1998) analyzes, the growing phenomenon of the 'offshore economy' has become defined by 'islands' beyond the juridical control of states, created by the state system. In his paper "The emergence of an offshore economy" he says 'offshore spaces' include (1) Territorial enclaves normally located near airports or ports as in the case of the export processing zones, (2) 'Juridical' or virtual enclaves, as in the case of the International Banking Facilities and the 'spontaneous' offshore financial centres, (3) Specialised unregulated jurisdictions, many of which consist of the small islands. He notes the wide variety of offshore spaces makes academics skeptical about speaking about the development of an 'offshore economy'. Nonetheless, he states "there is a shared common ground that transcends sectoral barriers, and that is that offshore activities take place in specially designed regulatory spaces. Some of these spaces consist of physical territories; others are mere fictional or juridical realms. It is the emergence of such juridical enclaves, supported and maintained by the state system, which renders offshore a political and economic development of great significance" (pp.65).

With growing legitimacy of this parallel machinery, discourses of 'development' have become increasingly tied into those of external investments and global competition, and private developers have legitimately become full- scale partners in the project of economic and urban development, even if their focus is on targeting the higher end of any urban market.

From the state's side, this emergent real estate sector has elicited similar types of state support as a production sector (as discussed later in the dissertation, this has been particularly true in case of Kolkata). With high end real estate sector using the same discourse of investments and jobs, as production sectors, the lines between economic investments and real estate investments have blurred, allowing the emergent real estate sector, to successfully access the state machinery to subsidize, acquire and zone land in particular ways, and generate returns that would be normally impossible without state subsidies. These dynamics have been explored in the dissertation by looking at the state's role in defining exceptional new regimes in the urban peripheries of the two cities and the consequent land consolidation and land price (and built-up price) patterns that have emerged in the peripheries. Changes in government in the two cities offer unique windows into assessing the speculative nature of these changes in the peripheries, as they represent a temporary collapse and/ or rescaling of state guarantees. In Kolkata, the collapse of the CPI(M) government led to a collapse of the periurban land market (and prices).

The East Asian financial crisis has been analyzed both as a failure of due- diligence on the part of national governments to sift out risky and speculative real estate ventures, as well as 'cronyism', which allowed risk to be harbored within urban markets via state patronage. Both sets

interpretations highlight state 'failure'. Yet global competition in the neoliberal era, is an inherently political project of harboring investments. Perhaps the more enduring lesson from the crisis is the lesson that if and when real estate investments are allowed to become a stand-in for economic development in a competitive bidding for 'growth', negative impacts such as state-supported speculation, vulnerability to global investor perceptions and lower urban capacities to respond to economic crises, are likely at the city-region scale. The current recession, which first became explicit in the over-leveraged local housing markets in the US, has highlighted how local decisions to harbor speculative accumulation strategies, in order to participate in larger capital flows, can concatenate into a 'global' crisis. New public-private partnerships and investments in cities such as Kolkata and Hyderabad are important for understanding new forms of capital accumulation being instituted and for understanding future crises that may emerge in the global capitalist system.

The growing IT- Real Estate nexus is also highlighted by the trend of Indian IT corporates venturing into real estate development, leveraging on their preferential relationship with government agencies to secure access to land banks. In a parallel trend, most prominent national and regional developers are involved with the construction of technology parks and/ or 'smart' cities. The scale of enclaving in the case study cities highlight the real estate motivations embedded in the privileged elite networks that enclaving has made possible. Land has emerged as a relatively stable investment asset for investors, including corporates and there is a growing trend of corporates incorporating land and real estate assets in their investment portfolios, often because it promises a stable intrinsic value (if not immediate development/ sale value), which

can help balance riskier ventures into other sectors, over the long term. These long- term strategies reduce the inclination of such investors to build to fulfill end user demand over the short term, which materializes as consolidated but undeveloped land banks on urban peripheries, as is the case in both Kolkata and Hyderabad. The leveraging of land as a long- term asset has distinctly speculative overtones, especially when these strategies are materialized through explicit state support. These trends highlight that even as more stringent government regulations and greater state oversight are being advocated in the Global North, in the face of the recent recession, the financial and institutional imperatives for local states to embed speculative tendencies within local markets, are on the rise in the Global South, within neoliberal definitions of development, competitiveness and business- led definitions of 'reform' and efficiency.

Speculation, Hypermodernity and Political Vulnerability

Earlier in the chapter the importance of considering discursive influences, to analyze contemporary projects of globalization was discussed. In this regard, it is important to acknowledge that over and above the logic of new strategies of accumulation, the impetus to embed speculative tendencies in urban land markets are also tied into new public and private aspirational projects of hypermodernity in the Global South. This is evidenced by city- scale projects of enclaving that have been put in place to accommodate the demands of the vocal and powerful lobby in favor of the Indian IT sector, which is associated with limited labor and GDP contribution potential, despite its high growth potential.

Human modernity continues to be analyzed and theorized primarily with reference to the Global North. This is reflected in contemporary globalization studies and urban studies, where dominant place- based understanding of processes of globalization continue to be dominated by a few cities, such as London and New York (Knox and Taylor 1995, Sassen 2001, Taylor 2003).

However, increasingly cities in the South have become keen to disrupt imaginations rooted in the Global North and make claims on not just modernity, but hypermodernity. This keenness is visible in Dubai becoming (in)famous for materializing real estate fantasies and creating impossible landscapes, such as land on water and snowscapes in a desert, Rio, Beijing and Cape Town competitively bidding to host global sporting events such as the World Cup and the Olympics and following through with extensive (and violent) rewrites of their urban landscapes to match and exceed expectations of spectacle associated with these events. Of the ten tallest buildings in the world⁹, only one, Willis Tower in Chicago is located in the Global North and the next generation of the world's tallest buildings are planned in Shenzhen, Beijing, Wuhan, Tianjin, Kuala Lumpur, Seoul, Jakarta and Jeddah (Business Insider 2012). These projects reveal that cities are competitively, even chauvinistically, jumping forward on the development trajectory. The commentary from the North remains skeptical and eager to expose chinks in the South's new facade (particularly evident during the Beijing Olympics), while claims and projects in the South are ready to be post-history and rewrite their legacy in terms of the future, rather than the past.

In part, increased global flows of technology and finance have encouraged projects of hypermodernity in the Global South. However, the proliferation of such projects is not simply a

9 In May 2013 the One World Trade Center, in New York city, still under construction, joined the list at third place. The Burj Khalifa in Dubai, at more than 2700 feet, is currently the tallest building in the world.

'natural' market response. Rather, they reveal material elements of competitive economic and political agendas of local, regional and national governments across the South, strategically spatializing transnational flows to gain global relevance, in sectors perceived to have the highest growth and value- add within the global economy. Futuristic hypermodern spaces reveal competitiveness, but also aspirations to break from linear development trajectories and create new global destinations. The production of these spaces have been closely linked to segregation, speculation and protest. Investment -rich hypermodern enclaves juxtaposed against severely under-invested urban areas, are not just the incidental landscapes of the Global South, but rather strategically instituted dichotomies, implemented daily through infrastructure and investment priorities, public-private partnerships and new development regimes. These instituted patterns of development contradict claims that we are collectively moving towards a future where the 'world is flat' (Friedman 2005). Graham and Marvin (2001) argue that the dualistic infrastructure policies of governments to accommodate the needs of investors while ignoring basic needs of the poor has led to 'splintered urbanism'. Goldman (2011) uses the term 'speculative urbanism' to highlight the willingness of governments to partner with investors on risky, but ambitious ventures in “order to overcome the 'stasis' of urban life with a globalized and virtuous entrepreneurialism” (pp. 230). The instituted dualities also means new systems of surveillance in urban areas to enforce and maintain the separation between the areas with investment and the ones without.

However, in my work I contend that the speculative state is inherently politically vulnerable and unstable, as it is unable to sustain the dichotomy between its hypermodern agenda and political

accountability. Both Kolkata and Hyderabad reveal that projects of hypermodernity are under constant challenge from alternate claims to produce urban space and stymied by internal risks and over-leveraged ambitions. In materializing practices of urban speculation, states attempt to rewrite political contracts with citizens, with certain groups getting more privileges than others, but ultimately the political exclusiveness of the new development visions, in tandem with their aspiration to remake entire urban regions, are politically incompatible. Events unfolding in India (reform of the colonial Land Acquisition Act, repurposing of the Special Economic Zone model of development to include new contracts between original owners and new users, etc.) point to more discussions in the public realm, on the modalities of development.

Section V: Urban Vulnerability

The imaginations to create 'global spaces', and state attempts to keep these spaces insulated from the rest of the city, reduces the concept of urban space to simply being a visual stage for external capital, which ignores its role as a complex ecosystem structuring and emerging from the relationship between the city and its populations. Subscribing to Friedman's view of a 'flat' world, sets the stage for urban policy to remain unprepared for eventual conflicts over space and economy, as non- global populations and economies attempt to reclaim urban space. It also leaves cities unprepared for economic recessions that affect movements of global capital. The question of urban vulnerability in this dissertation draws from the broader theoretical framework of urban political ecology (UPE), which has been defined as a school of critical urban political-environmental research (Heynen et al. 2006). The UPE framing rejects the divide between 'nature' and 'society' as artificial, and argues that urban areas are not “places where nature stops”

(Hinchcliffe 1999). UPE research focuses on how political- economic processes have socio-economic and environmental implications.

In his thesis about accumulation through dispossession Harvey highlights that linear development trajectories are a myth. The development of a particular area is achieved by displacement of other uses and populations and therefore use of power and conflict/ compromise. In this dissertation the general idea embedded in Harvey's thesis is explored particularly in relation to urban- peri urban relationships and used to develop a better conceptual understanding of urban vulnerability, with particular reference to the relation between the city and its region. For city planners, the urban periphery has historically been a blank slate or a frontier that is available for expansion. This assumption, tied into desires to create new globalized urban landscapes 'from scratch' have made periurban areas the favored location of new urban enclaves. Official justifications for periurban locations are premised on claims of 'easier land availability' and/ or lower densities. However, even as new enclaves are designed to fulfill aspirations of a new elite class for low urban densities, high environmental quality and green areas, these enclaves act as artificial cities with little or no metabolic relationships with the rest of the city. Moreover as preferred developments, such enclaves are often expedited and environmental due-diligence circumvented.

From a urban political ecology perspective, interpreting the urban periphery as a blank slate is essentially flawed. In cities of the Global South, urban- periurban relationships reveal dense regional systems of food, water, waste exchange, sustained by low- return, low- income

periurban populations. These systems may fulfill essential urban functions, but cannot compete with the higher rent capability of those involved with speculative land consolidation. Yet the ability of new users to pay higher rents is in part linked to the government guarantees and preferential access to capital that they enjoy. The change in the profile of users and land uses in the peripheries also means that periurban areas become passive, real estate holdings, controlled by a few, and is more vulnerable to capital boom- bust cycles. The dissertation analyzes the restructuring of urban and periurban systems and argues that even when these systems are critical to overall urban sustainability, their displacement is not quantified as a loss in monetized assessments of land value and compensation. This presages at least two significant urban processes, 1) Displacing and marginalizing a vulnerable population, previously engaged in providing low- cost urban and environmental services and adding them to the formal ranks of the urban poor, 2) paying for alternative formal service providers for urban and environmental services. The first concern is partly ironic, given the tremendous amount of energy that is expended in parallel top- down initiatives by international development agencies and by national and local governments to imagine and create systems of urban sustainability that includes (employs) the urban poor in provision of low- cost environmental urban services. The second, presages questions about user fees being tagged onto urban and environmental systems as their management is taken over by formal service providers. These 'blind spots' also highlight some of the underlying causes for alternate claims on the land and explicit public protests over land valuation and compensation.

'Subaltern informalities' sustain the majority of the populations in Kolkata and Hyderabad, either directly or indirectly. Subjecting 'informal' systems of production, trade and exchange, to displacement and incremental criminalization, systematically sabotages the capacity of the majority of the city's population to survive and sustain themselves. The criminalization is especially short-sighted since the formal economy is often too limited and too rigid to offer reasonable alternatives. Thus the emergent development paradigm driven by 'world city' visions, progressively makes urban systems (especially in cities of the Global South) unsustainable and unable to cope with the demands of the majority of the urban population. Progressive institutional criminalization of subaltern informalities adds to the vulnerability of the already marginalized populations and their wafer-thin margins of operation.

Further relegating the majority of the city's population to a welfare agenda increases the public burden on the state (and the third sector) to 'provide' for this population, as there is an increasing need for the state to take an active role in devising social safety nets, previously externalized to informal social and economic systems of exchange. This increases the 'demand' for public debt, from donors and donor agencies, often international agencies, to sustain this welfare agenda. 'World city' claims and 'developmentalism' thus become tied together in a mutually constitutive and self-fulfilling cycle. A greater role for the state in devising social safety nets and ensuring that historically unjust social and economic relationships that often define informal systems of exchange, is of course a highly desirable and progressive agenda. However, replacing a dynamic, diverse systems of exchange and resilience, with less flexible, less efficient and often unjust systems, that institutionally take away agency from a large section of the population can hardly

be justified as a manifestation of that progressive agenda. Also 'self- help' schemes devised by the state and the third sector to replicate social systems of exchange, with a more progressive agenda, have to contend with making these schemes grassroots, and self- sustaining, within a top- down model of welfare provision.

Chapter 3: Economic and Political Regionalism Post- Liberalization

India started liberalizing its economy in 1991 after accepting an IMF loan to remedy a balance of payments crisis. Liberalization was concurrent to the rise of economic and political regionalism in India as Congress (I), the dominant centrist political party, which had dominated national and state politics since independence in 1947, began to lose ground to regional political parties, who were eager to play a bigger role in regional and national politics. The regional agendas to define regional identity and prove regional competitiveness of local political parties, gave a uniquely political flavor to interregional competition for investments, post-liberalization. Also liberalization was not just a top- down or externally enforced project. Rather, in both states and cities, local histories of collaborations and conflicts between public and private sector actors influenced and reshaped the processes of liberalization. Kolkata and Hyderabad's transformations, were strongly shaped by the exegesis of liberalization processes by regional political parties. In general, new fiscal responsibilities and the push towards fiscal conservatism, reshaped the agendas of regional political parties. In case of the CPI(M) in West Bengal and the TDP in Andhra Pradesh these new fiscal pressures, meant complete political reinvention. This is particularly evident in the transformations within the communist party CPI(M) in West Bengal (and Kolkata). It also explains the meteoric rise of Chandrababu Naidu's (Chief Minister of Andhra Pradesh) popularity within India and globally, as his aggressive approach towards wooing investors and focus on efficiency became accepted as emblems of 'good governance' in neoliberal India.

The IT sector with its global connections and as a magnet for external investments into infrastructure and real estate, played a strategic role in pushing through the liberalization agenda of the two state governments. In competing for IT investments, the two states and cities, normalized regional competitive dynamics and new development regimes (with large scale land consolidation for high end private developers and more role for the private sector in development decision-making), which were encouraged by liberalization processes and economic and political regionalism. This chapter details what liberalization meant for India and how it was concurrent to economic and political regionalism. It explains why liberalization amounted to a total political reinvention for both the CPI(M) and the TDP and the strategies the two state governments adopted to attract investors. It highlights strategic role that the IT sector played in both the states/cities.

The main arguments in this chapter:

1. The implementation of a liberalization agenda in India was significantly affected by the rise of economic and political regionalism, with regional political parties taking a leading role in defining the particular forms that liberalization processes assumed.
2. The political ideologies of the two state governments did not change the overall push towards liberalization in the two states, since both governments were faced with the challenge to prove fiscal responsibility and reinvent how the particular states and cities were situated within national and global accumulation strategies. However the different ideologies of the two governments and the different local histories of public- private collaboration affected the strategies that were adopted in the two states. For example the

private sector became an important development partner in both the cities, however the forms of public- private partnerships that were promoted in the two cities were different. The investors that were targeted and the land consolidation support provided to attract external investment interest by the two state governments were also shaped by local histories.

3. The IT sector played a strategic role in normalizing a broader liberalization agenda for both state governments, however an IT- led urban development strategy faced different levels of inter- departmental collaboration and conflict in the two states, in part shaped by the political ideologies widely held across government departments in the two states.
4. In both states, a strong urban bias emerged, with the state capitals (i.e. Kolkata and Hyderabad) becoming showcases for the state governments' overall agenda of attracting external investors
5. Ultimately both governments succumbed to increasing political vulnerability that emerged from pursuing an external investment agenda, which facilitated large scale displacements and state support for high end real estate development and both governments lost their respective state elections.

Economic Crisis and Liberalization in 1991

In 1991 a foreign exchange crisis forced the country to appeal to the IMF for a bailout and accept a modified version of structural adjustments that were part of the 'Washington Consensus'. India's crisis was characterized by sluggish industrial growth rates, high inflation rates (approximately 12 per cent- considered high in the Indian context) and high and increasing current and fiscal

account deficits¹⁰ at both the central as well as the state government levels (Joshi and Little 1996). The modified set of adjustments often termed the 'Delhi Consensus', because of the Indian state's role in negotiating the associated terms and conditions, avoided liberalizing the capital account¹¹, downplayed the speed of reforms, and relied little on external resources¹², except the initial funds received from the IMF in 1991. As such, India's experience with structural adjustment was much softer than that of countries in Latin America and Eastern Europe, which experienced far more radical IMF and World Bank mandated structural adjustments. While India faced budget constraints, it did not deal with a mounting external payment situation, as a result of adjustments. World Bank justified the softer terms with its assessment of the state of the Indian economy at the time of the crisis (World Bank 1996):

“India did not have the inflation, external debt, and social inequities so severe as in Latin America- and thus able to stabilize the economy more rapidly and at lower social cost. Unlike formerly centrally planned economies in Eastern Europe and elsewhere, while extremely regulated, India already had an ubiquitous private sector, all the institutions of a free market economy, and a relatively well- developed financial sector.”

10 3 percent and 13 percent of the GDP respectively: Joshi and Little (1996)

11 The government set up a committee in 1997 to explore the possibility of making the rupee fully convertible on the capital account. The committee recommended stringent conditions and put a target date of 2000. The East Asian currency crisis happened soon after and the interest in going through with capital account convertibility diminished considerably. For more details on India's capital controls system please refer to Joshi and Little (1996), Habermeier (2000), Reddy (2000), Joshi (2001) and Ahluwalia (2002)

12 This includes foreign bilateral or multilateral public capital inflows.

Nonetheless, liberalization did engender several changes. Economic decentralization from the center to state and local levels, was facilitated by a number of legislative and policy measures, including divestment in public enterprises (a separate Ministry of Disinvestments was set up to facilitate the process), large- scale delicensing and deregulation in investment protocols¹³, opening up the national economy to foreign investors with access across sectors and liberalization of the banking and financial sectors (Joshi and Little 1996). Disinvestment in public enterprises and opening them to external investments, private partners and subject to management consultancy advice, marked a significant departure from central control. Particularly emblematic of the changes was the decision to divest the 'Navaratnas' (translation: Nine Jewels), Public Sector Undertakings (PSUs) in identified core sectors such as petroleum, iron and steel, etc., considered to have strategic national interest (Navin and Geeta 2006). The development regime in India, post liberalization was affected by the rise of a new class of private players with significant voice and political cache (Pederson 2000), such as those associated with new emerging 'global' sectors like the IT sector, Non Resident Indians (NRIs) with investment interests in India, a slew of domestic and international consultancies (including the 'Big 5' in management consulting firms that set up shop in India following liberalization), domestic conglomerates such as Reliance Industries, the TATA group, the Birla Group, etc. that had government patronage during the 'developmentalist' era and emerged as corporate powerhouses post- liberalization, as well as domestic and foreign investors/ developers.

13 It has been argued that deregulation sped up growth in industries that were pro- employer rather than pro- labor (Aghion et al. 2006)

Liberalization legitimized and encouraged decentralization of economic decisions and opened up a historically unique opportunity for regional political parties with a regional mandate in India. The structural impetus towards economic regionalism, post- liberalization, segued neatly into the political regionalism that was already emerging as an important political force in the country (Sinha 2004), to challenge the Congress (I) party, which had dominated Indian politics not only at the national level but also at the regional levels, through much of India's post- independence and pre- liberalization 'developmentalist' era.

During the 'developmentalist' era, the central planning machinery, defined by a National Planning Commission, Five Year plans and large centrally disbursed and managed development funds for both urban and rural areas (termed as 'vertical' competition for resources), was supplemented by Congress (I)'s centrally managed and regulated political machinery (Sinha 2004). The Congress (I)'s sway over national as well as state level politics had increasingly turned problematic, with centrally devised visions defining much of state politics. State chief ministers were transferred or changed at short notice if they did not fall in with the All India Congress Committee (AICC) decisions¹⁴. Regional parties were eager to take back agency at the state level and differentiate regional identity and regional needs from an amorphous nationally identified electorate that Congress (I) politics had created, resulting in greater 'horizontal' competition between states.

¹⁴ Andhra Pradesh is a good example of this. Between 1978 and 1983 the state experienced four different Chief Ministers, all put in place by Indira Gandhi, the then Prime Minister of India and main leader of Congress (I) (Kohli 1988)

The period concurrent to liberalization (starting with the 1989 national elections) was marked by a series of election results that did not provide a clear majority to any one political party, thus not allowing any one party to form the national government. The political uncertainty at the Center continued in fits and starts until 1998, when the coalition led by Bharatiya Janata Party (BJP) with Vajpayee as the Prime Minister assumed power. The period between 1989 and 1998 saw six changes in national government. The period between 1991- 1996 witnessed no government changes, but was nonetheless a politically volatile period with Congress (I) heading a varied and precarious political alliance of several parties. 1991- 1996 was also when the country faced its foreign exchange crisis and liberalization was initiated. Overall the 1989- 1998 period was marked by a political scramble for alliances. The Indian media used the term 'horse- trading' to describe and criticize the milieu of negotiations to nudge seat counts over the minimum required to form the national government. This period saw historically unique political alliances, with opposing political camps were divided in terms of Congress (I) and its alternative (which eventually coalesced around a BJP led alliance), rather than clearly defined political agendas and ideology. The Telugu Desam Party (TDP) in Andhra Pradesh lent its support to the BJP- led coalition. The Communist Party of India (Marxist), or CPI(M), in West Bengal lent its support to the coalition formed by the Congress (I). Regional parties emerged stronger in the post-liberalization political climate, with a history of political favors that extended to the Center (Sinha 2004). The rise of regional political parties meant that regional political identities became stronger and more voluble in public debate.

Regional Politics and Political Reinvention in West Bengal, Andhra Pradesh

In both Andhra Pradesh and West Bengal the agenda for economic and political transformation was set by a regional political party with ambitions to become more significant in national politics, while maintaining their regional mandate (represent regional identity, fulfill regional needs). Overall this competitive climate provided regional parties across India the impetus to prove they were better than other regions/ states. Saez (2002) terms this as a change from 'intergovernmental cooperation' to 'inter- jurisdictional competition' among states. While the term 'inter- governmental cooperation' does not fully capture the increasing political rift between the Center and the states in the 1970's and 80's, during Congress (I)'s control, the term 'inter- jurisdictional competition' does broadly summarize India's emergent political economy post liberalization. Emergent regional political identities and agendas provided competitive economic regionalism, political motivation and agency at the state level. For both the CPI(M) in West Bengal and the TDP in Andhra Pradesh, the task of political transformation, post- liberalization, went beyond yet another political course change and amounted to a complete reinvention, for historic reasons discussed below.

CPI(M) is one of two politically active Left Front political parties, within India' s parliamentary democracy system and is the longest running political party that has held its political mandate in West Bengal's state elections for 34 consecutive years¹⁵ with support from its Left Front allies.

CPI(M) has one of the longest continuous histories of defining and maintaining a political

¹⁵ West Bengal was an important site for the articulation of Left Front politics in India, along with Kerala and Tripura. The Telangana region of Andhra Pradesh was also a strong site for Left Front politics in the country, however the communist parties never managed to become a legitimate alternative to the Congress (I) in Andhra Pradesh.

identity and vision sufficiently distinct from the Congress (I) and successfully practicing it as a defined political agenda in regional politics¹⁶ than most parties with a regional presence in India. After failed attempts in 1967 and 1969 to set up a state government in West Bengal through a United Front (different from the United Front at the national elections mentioned before), which brought together the various Left parties in India, the CPI(M) was eventually successful in 1977 and since then won every election in the state until 2011.

When CPI(M) took over, West Bengal had experienced large- scale de- industrialization, two major wars (the first with China in 1962 and the second with Pakistan over Bangladesh in 1971) and a massive influx of refugees (estimated to be about 10 million at the time) from Bangladesh over the 1960-1970 period. The Party showed strong political will to implement a reform agenda, despite “... impediments the magnitude (of) which were totally unknown previously” (Bandopadhyay 2003) that focused on rural areas and included land redistribution, education etc., which significantly reduced rural distress (Harriss 1993), increased agricultural productivity, cemented the CPI(M)'s grassroots legitimacy and ensured its continued political victory in West Bengal. Various scholars who have analyzed CPI(M)'s rural reforms in West Bengal highlight that they were well within India's social democratic institutional framework and did not

16 This was particularly evident with regard to rural land reform in West Bengal. The first land reforms legislation proposed by the CPI(M) led United Front government in West Bengal in 1967 was radical compared to similar programs across India. Even though the first generation legislation did not stand and the second generation of reforms ratified by the Congress (I) came to pass in 1972 as the 'West Bengal Land Reforms Act' (Harriss 1993), the events highlighted CPI(M)'s role vis-a-vis the Congress (I) in regional politics. CPI(M)'s overall effectiveness was aided by the backdrop of a militant land reform agenda that emerged in India with the Naxalbari movement in West Bengal in the 1950's. Some scholars have also argued that West Bengal's particular role in the Independence movement and 'highly politicized and modernized' people and state governments (Datta 2005), made the state particularly resistant to the federalism of the Indian state even during Congress (I)'s relatively unchallenged initial run of over two and half decades post- independence. Even when the Congress formed the state government in West Bengal in the 1960's and 70's, it held some degree of independence from the Centre (Datta 2005).

challenge property holding rights radically. Harriss (1993) deems them “modestly reformist social democratic policies”, while Kohli (1987) defines the CPI(M) as “communist in name and organization, but 'social democratic' in ideology and practice”. Nonetheless these reforms were effective and drew praise from unlikely quarters, including the World Bank (Harriss 1993).

While the CPI(M) had a clear rural agenda, it lacked a strong urban vision. Kolkata, the political nerve- center of the state had historically strong linkages to industrial capital and wealth in the state. However, deindustrialization followed by state takeover of bankrupt and defunct industrial units, severely affected Kolkata's urban economy. One of the strong political constituencies that the Left Front organized, to win state elections, comprised of the workers laid off from bankrupt industrial units. Yet, while the CPI(M) moved forward with a re-imagination of relationships between peasants and land in rural areas¹⁷, their relationship with businesses/ industries in urban areas and across the state, remained marked by dissent¹⁸. While the official Party line favored collective bargaining over industrial strikes (Pederson 2001), Kolkata and West Bengal continued to gain the reputation of militant unionism and perpetual industrial strike conditions. This default political position of a communist party in opposition and in minority, towards the private sector, was puzzling considering that the CPI(M) enjoyed an unchallenged position of political power for over three decades in West Bengal. The Party's political practice was also at odds with its conciliatory tone (at the Fifteenth State Party Congress, 1978) towards the private sector and

17 As mentioned before various authors have highlighted that this re- imagination by CPI(M) was not radically outside the institutional framing of India's overall social- democratic ideology. The reforms were associated with 'class conciliation' where middle income and high income farmers were included in the state's new rural vision (Kohli 1987, Basu 2007).

18 CPI(M)'s industrial policy in 1978 contained two statements that highlighted this schism, “not possible to leave out altogether the multinational corporations and the big industrial houses in the immediate period.” and ““There can be no question of allowing new multinational units to come in.” Government of West Bengal, Statement on Industrial Policy (Calcutta: GWB, 1978:,1. Quoted from Pederson 2001)

foreign investors in West Bengal, whose presence was affirmed to be not incompatible with Marxist ideology (Basu 2007) and similar statements by Jyoti Basu (Chief Minister) to businesses and industrialists (Pederson 2001). As a result, the state's industrial economy stagnated and in some sectors deflated, over the course of CPI(M)'s tenure in the state (Pederson 2001). The CPI(M) tried to revamp its industrial vision for the state in the 1990's with a new industrial policy. Institutional changes such as more autonomy for the West Bengal Industrial Development Corporation and a new Government- Industry Coordination Committee were supplemented by new incentive schemes for private investors and Jyoti Basu made special trips abroad to generate foreign investment interests. While these measures generated a slew of investment proposals¹⁹, most did not actualize and investments lagged (Sinha 2004, Basu 2007). The industrial policy was not robust enough to reverse the overall trend of stagnation.

Additional pressure was added by the liberalization of the national economy in the 1990's, that put the focus back on the urban economy, while simultaneously encouraging states to compete with one another for investments. The CPI(M) found itself in need to attract external investors to the state and effectively rewrite the popular image of West Bengal as a unionized state with the highest number of lost work days per annum owing to strikes, especially among investors and business owners. Faced with the immediate need to revamp Kolkata's economy, not only to hold onto its political mandate in the state, but also to remain valid within the changing national political and economic situation, the CPI(M) had to engage in a complete transformation in its approach to urban economic development, particularly in terms of private investors. The change

19 Pederson (2001) also argues that the repeal of the central government scheme equalizing domestic freight rates for iron and steel following liberalization of the national economy, gave West Bengal an added advantage due to an agglomeration of steel mills in Eastern India, which added to the new investment interest.

in the party's agenda got a new face and champion, when Buddhadeb Bhattacharjee took over as Chief Minister in 2000, following Jyoti Basu's resignation due to health reasons (Jyoti Basu had been the face of CPI-M in West Bengal for 23 years since the party came to power). This clearly marked a regime change, which the media hyped with the prolific use of the term 'Brand Buddha'. Bhattacharjee unveiled a new generation of industry and investment friendly policies (Basu 2007), in part foreshadowed by Naidu's approach in Andhra Pradesh. The change in leadership in West Bengal has been analyzed as the reason for the CPI(M)'s victory in the 2006 state elections (Basu 2007) despite growing dissatisfaction of the state electorate. Jyoti Basu continued to be a strong voice within the Party Politburo until 2008, two years before his death in 2010.

In Andhra Pradesh the process of political regionalism and transformation started in the 1980's. NT Rama Rao (NTR), an extremely popular figure from Telugu cinema started his own party, the Telugu Desam, which literally translated as 'Telugu Nation', and had the slogan, 'Atma Gauravam', translated as 'self- pride'²⁰ (Kohli 1988). NTR's popularity bordered on deification and even in 2006, 10 years after his death, he was voted the 'Greatest man of Andhra Pradesh' (CNN-IBN 2006). Nine months after he started TDP, NTR took over as Chief Minister, ousting the Congress (I) government, which had held power since 1953 (29 years) when Andhra Pradesh was designated a separate state (Pinto 1999). The TDP was an important ally of the BJP- led

20 NTR's rise to power had a strong basis in caste- politics, which has historically played a critical role in Andhra politics. The two castes powerful within Andhra were the Reddys and the Khammas. The Reddys had the support of the Congress (I) and the regional Congress structure was dominated by the Reddys. As the Khammas diversified beyond agriculture into movies, media and the hotel industries, they grew more economically powerful and awaited political recognition from Congress (I). NTR was a Khamma and when he emerged as a political alternative he received full political and economic support from the powerful Khamma community (Kohli 1988, Rao 1994). With time the TDP was careful to not let itself become synonymous with the Khamma community and its ranks drew from backward groups in the state and urban professionals (Kohli 1988).

coalition to form the national government when the national elections did not return a clear mandate in favor of any one party in 1989, even though the TDP lost the state elections that year (Rao and Ram 1994). The national role that TDP played, augmented the regional popularity of the TDP and TDP with NTR as Chief Minister was re-elected in 1993. NTR's policies had a strong welfare agenda with a rural focus and he started a series of policies such as cheap rice (INR 2 per kilogram), removing caste-based administration in villages (Karanam) and replacing it with merit-based administrators (Mandal), educational reforms, affirmative action targeting women (30% reserved seats) (Rao 1994). These policies made him popular, but critics termed him a populist. His approach certainly tended towards a top-down patriarchal model, rather than structural transformations to address the social and economic issues in the state. Towards the end of his life, he began to lose the clear edge of popularity he had wielded throughout his life (due to unpopular personal decisions, including marriage to a much younger Laxmi Parvathi, who was active role in AP politics to the dissatisfaction of older party members). Chandrababu Naidu, NTR's son-in-law, groomed by NTR himself, took the opportunity to stage a successful coup (akin to a hostile corporate takeover) and took over as Chief Minister in 1995.

As with the CPI(M) in West Bengal, Naidu's takeover of the TDP, created a need for complete political reinvention in Andhra Pradesh. Naidu faced serious legitimacy questions, from within the party structure itself, from the public in Andhra Pradesh, and from TDP's political allies at the national level after his takeover. Naidu needed to carve out a political vision and direction that would not only set him apart from NTR, but also prove him to be more successful in representing the Andhra identity than NTR himself, to win back political support at both the state and the

national levels. Naidu expressed problems with NTR's welfare programs, which he deemed populist and a burden on the state exchequer²¹, as well as NTR's impetuous style of governing (Naidu 2000). In the company of foreign investors and in the english media, Naidu styled his vision and approach as tech- savvy, methodical, expert- led, cautious (especially in his first term) and business- focused, in sharp contrast to NTR's approach. Liberalization of the national economy and economic decentralization gave Naidu the opportunity to reinvent Andhra politics and identity, along the lines of his own vision and motivations. Some authors such as Kirk (2005) have analyzed that despite Naidu's tech- savvy and business- oriented style in the 'global' gaze, Naidu continued to adopt populist measures, similar to NTR's policies, in Andhra's rural areas, especially pre- elections to keep the rural electorate happy.

The political reinvention projects in Andhra Pradesh and West Bengal exhibited similar patterns. In both states, economic decision making became defined by top- down visions and expert advice. In both Kolkata and Hyderabad, the state governments went around the existing planning machinery or changed it to create new and parallel development agencies to implement their visions for the two cities. Yet, while Naidu led with personal charisma in Andhra Pradesh and his style of conducting government business became the gold standard across states in India, the CPI(M)'s efforts under the leadership of Jyoti Basu and then Buddhadeb Bhattacharjee received a lukewarm response at best, from both investors and the public. For both administrations however an increasing rural- urban divide and the single- pointed focus of both administrations to create more investor- friendly global cities, eventually cut political trajectories short.

21 Mooij (2003) analyzes that Naidu continued with populist welfare measures, which he deployed strategically on the eve of elections, despite his initial declamation of NTR's policies. Unlike NTR's policies, which were broad-based, Naidu's measures such as Deepam, Adarana, Roshini etc. were targeted at specific electoral groups.

Attracting Investors to Hyderabad

Rebranding Hyderabad was not an easy task for Naidu, who started as a political non- entity and needed to create his own political identity. Kirk (2005) deems that Naidu led a double political life in Andhra Pradesh, becoming a neoliberal model in the 'global' gaze and continuing with populist welfare measures in rural Andhra Pradesh, during his tenure. Kirk (2005) further states that some of his most ardent external supporters such as the World Bank understood and tolerated his schisms. Naidu courted the 'global' gaze. In his political persona as the Chief Minister who preferred to be called the CEO of the state, he initiated and popularized outright competition between states for external investments, as well as the marketing and positioning of a city and state as investment destinations. He set precedents for one- on- one negotiations with investors and for incentives and subsidies to attract investors away from competing destinations. He developed a strong relationship with the World Bank. Andhra Pradesh was the first Indian state to negotiate a loan with the Bank (Mooij 2003, Dabla 2004, Kirk 2005). He legitimized the role of external management and real estate consultants in setting the state's development agenda and drafting state policy. His aggressive neoliberal politics became an exemplar of liberalizing India and from being a political unknown, Naidu rose rapidly to political prominence, and was included in the 'dream cabinet' of world political leaders put together by the World Economic Forum magazine, World Link (1998), named South Asian of the Year (1999) by Time Asia magazine and Business Person of the Year (1998) by The Economic Times, India's leading financial daily. The New York Times (Dec 27, 2002, Sep 10 1999), National Geographic (November 2002), Economist (22 May 1999), Independent (6th Oct 1999) and Indian Express (1999), amongst other publications, feted the 'revolution' he was catalyzing in Hyderabad and

Andhra Pradesh. The combination of competitive policies and aggressive personality politics that Naidu successfully harnessed for Hyderabad, became the 'normal' of 'good governance' in post-liberalization India.

Meanwhile as Kirk (2005) argues Naidu's persona in rural politics remained completely separate from his 'global' persona. In appealing to the rural electorate he continued NTR's populist welfare measures, with a difference. Naidu rolled back NTR's broad based welfare programs, to introduce programs targeted at specific segments of the rural electorate that he perceived to be strategically important to winning elections. He typically announced his welfare programs on the eve of elections. The measures put a strain on the state exchequer and contributed to the state's mounting debts to external donors, especially the World Bank, who were aware of Naidu's double political life and its monetary implications, but continued to support the programs as well as Naidu as their preferred champion of decentralized neoliberalism in India (Kirk 2005).

In the 'global' gaze, Naidu made technology both his personal and political platform. Even though his vision for the state's development reveals how he wanted to use technology to alleviate poverty and extend opportunities to rural areas (Naidu 2000), that vision to use technology and IT as a bridge between urban and rural Andhra, remained mostly unrealized as he liberalized Andhra Pradesh's economy and aggressively marketed Hyderabad as an IT destination to the largest IT corporations from Silicon Valley, offering incentives, infrastructure and subsidies in direct competition to Bangalore, the only city that enjoyed international recall as an IT destination, at the time. Hyderabad airport was developed through public- private partnership

in direct competition to the Bangalore international airport also developed through public-private partnership. Both airports competed to become the regional trans-shipment hub in the region. Initially, Naidu was barely entertained, as he was a political unknown, since Hyderabad was not on the global IT map and India was viewed as a risky investment destination. However eventually his efforts culminated in Hyderabad hosting two American Presidents- Bill Clinton and George W. Bush, a British Prime Minister- Tony Blair and more punctually Microsoft CEO Bill Gates. Hyderabad became Microsoft's first significant offshoring destination.

The two main documents that Naidu used to define the course of development in Andhra Pradesh during his tenure were based on the work of external consultants. The first was his status report of the state's finances that set the stage for the liberalization of the state, called "State Finances: The Actual Position" that drew its analysis heavily from the World Bank view, and many scholars state that the official state document closely resembles the World Bank White Paper 'Andhra Pradesh: Agenda for Economic Reforms' that predated it. The second was the Vision 2020 document, drawn up by McKinsey & Company, in which the consultants laid out a long-term road map for structurally adjusting the state's economy along neoliberal principles. The World Bank continuously held up Andhra Pradesh as the model of liberalization (Kirk 2005) and McKinsey used Andhra Pradesh as a 'best practice' case.

Despite the vote of confidence from the World Bank and McKinsey, the policy interventions modeled on the two documents drew public rebukes (Dabla 2004) and ultimately paved the way for Naidu's debacle in the state elections. In 2001-03, Andhra Pradesh accounted for 31% of India's total external funding assistance (Kirk 2005), well above other states. A significant

proportion was owed to the World Bank and DFID. Some initiatives, which ratcheted up the state's debt were also unpopular measures, such as Naidu's decision to privatize the power sector as per World Bank advice, funded by a World Bank loan for \$210 million (Kirk 2005)²². One of the most infamous recommendations that came out of the Vision 2020 document was corporatization of the agriculture sector by institutionalizing contract farming. It was envisioned that the state's sectoral profile could be changed from 70% population engaged in agriculture to 30% population engaged in agriculture over a 20 year time period through this policy (GoAP/McKinsey, 1999)²³. Rural distress escalated during Naidu's term. In 2000, 221 farmers committed suicide, which eventually caught the attention of even the urban focused english media. Narsimha Reddy (2006) analyzes rising rural distress in Andhra Pradesh as being a function of marginal farmers moving from subsistence cropping towards high value cropping patterns through personal investments and without institutional and state support. Debt traps were facilitated by the change in the state's view of agriculture, with rollbacks in agricultural subsidies, privatization of agricultural extension, growing importance of Monsanto, use of GMO seeds with destroyer genes and disappearance of social safety nets that NTR's populist measures such as the INR 2 per kilo of rice had afforded. Naidu's targeted welfare programs for certain sections of the rural electorate were not sufficient to alleviate the deepening rural crisis.

The role of experts in Andhra Pradesh development policy, reflected a clear urban bias, with an investment focus on urban areas, particularly Hyderabad. The significant presence of external experts within the governance system played an important role in Hyderabad often eclipsing the

22 The World Bank stipulated a 15% tariff hikes annually, which led to a 60% hike for rural customers, a 100% hike for urban customers and eventually public protests on the streets that drew police fire.

23 For a detailed analysis see Narsimha Reddy, 1999

rest of the state in terms of policy attention and for the IT sector becoming the face of not only Hyderabad but also Andhra Pradesh. As a high technology sector looking to the global market for outsourced work, the IT sector's growth in Hyderabad grabbed media attention in terms of new investments, big corporate names and for iconic projects such as a proposed F1 racing track (proposed on Hyderabad's largest green space, the KBR national park), but in terms of employment, it remained an exclusive sector, employing less than 5% of Hyderabad's working population. The rapid rate of liberalization, the technology driven modernization of Hyderabad and his personal charisma and zeal made Naidu the favorite within a development paradigm shaped by the 'rule of experts'. However, his inability to effectively address the social realities of AP and actually contribute to deepening the inequalities at the heart of these issues, eventually led to his political defeat at the polls by a massive rural vote against him when he stood for elections for the second time in 2004. As Chief Minister between 1995 to 2004, he was the longest running Chief Minister of Andhra Pradesh (Kirk 2005).

Attracting Investors to Kolkata

When Bhattacharjee took over as Chief Minister, Kolkata and by extension West Bengal had a very negative image as a business destination, built up over three decades of the CPI(M) being in power. Business owners both local and external, associated the state with anti-business sentiments and high levels of union politics, with significant political cache, since unions were integrated into CPI(M)'s party structure. When CPI(M) began reinventing its relationship with the private sector and investors, they had to rebrand their own image, and also the image of Kolkata and West Bengal as business destinations. Unlike the TDP in Andhra Pradesh, who

could target external financial institutions and investors directly, CPI(M) could not approach external investors in the first take. They had to remake relationships with local developers and investors first.

Local investors in Kolkata could trace their money back to the industrial downturn of the 1960's and 70's. Despite the downturn, Kolkata experienced unprecedented population growth due to immigration from rural areas and post-war refugee influx from Bangladesh. Local business houses in Kolkata focused their energies on the building industry, since it continued to reflect some degree of demand. Local investors did not have deep pockets or leveraging capacity for institutional finance. The cost of land remained their largest barrier towards creating more supply for the urban market. The West Bengal state government recognized and used this opportunity to develop a model of partnership where the state would use Eminent Domain to acquire land and give to a private partner, to create housing supply in the city²⁴. The private partner would provide skills and capital (leveraged through self-financing schemes) for project management. These local public-private relationships and projects were showcased to external investors, to prove the state government's political will. These partnership projects adopted a self-financing mechanism²⁵ that made enduser individuals/ households the third 'partner' in the project, addressing in part the risk averseness and limited investment capacities of both the private and public partners. A sliding scale of pricing was used with low income housing cross-subsidized by for-profit high and middle income housing. These first-generation models were some of the

24 For more details on the first generation PPP models for housing delivery used in Kolkata see Sengupta 2005, 2007 Sengupta and Tipple 2007

25 A self-financing housing scheme requires owner to pay for the house(s) they will eventually occupy, in tranches that match the project construction phasing. With this financing model the developer always uses cash in hand for the next stage of development thus reducing the window of capital leverage necessary (and overall project risk).

most socially progressive partnerships to emerge post- liberalization in India, as they targeted existing demand in the Kolkata market, rather than highest returns on investments²⁶. The main critique regarding these first generation models was their lack of scale and inability to produce the volume of supply required to address Kolkata's latent housing demand (Sengupta 2006, 2007, Sengupta and Tipple 2007). The West Bengal government formed several such partnerships, which were institutionalized by creating third party entities, e.g. a third party entity created from the partnership between Ambuja Group and the West Bengal government was called Bengal Ambuja. Thirteen such third party entities were created.

While the CPI(M)'s industrial policy of the 1990's did not take off (Sinha 2004, Basu 2007), the public- private partnership models for real estate development proved profitable and provided the CPI(M) a strategic platform to re- establish their relationship with the private sector. These public- private partnership housing projects set the stage for real estate developers to become unofficial advisers to the state government regarding future development in Kolkata²⁷. External investments focused on real estate development continued to play a more important role than investments focused on particular economic sectors or economic projects, unlike Hyderabad. The resurgence of the Kolkata economy continued to be primarily focused on consumption, and capitalizing on urban rents, rather than on production of goods and services. As such, the 'globalization' project in Kolkata also remained predominantly inward- looking, focused on marketing to what/ who could be attracted to Kolkata, rather than explicitly integrating Kolkata with markets and populations beyond the city.

26 Based on field interviews with developers (2008-09) and review of first generation projects introduced by Bengal Ambuja in the late 1990's

27 Based on field interviews with developers and CREDAI West Bengal (2008-09)

With time and as the CPI(M) extended its sights to external investors from beyond the state, they adopted the first- generation public- private partnership model across various urban projects, including commercial (SEZs and Industrial parks), retail (malls), leisure (resorts and golf courses), hospitality (hotels) and infrastructure (both physical and social) projects. With scaling up of the model, the problems and public protests became explicit. The first- generation model had been used for smaller scale, moderately priced projects, with a defined equity objective. As such the 'public purpose' of land acquisition and public consolidation of land using Eminent Domain was less contentious. Later as the model became a tool to develop extended sub- cities, exclusive, gated real estate enclaves and capitalize on the highest urban rents that could be generated through elaborate marketing, the 'public purpose' of the land acquisitions became more challenged and difficult to legitimize. Acquiring thousands of acres of already settled and populated land on the peripheries of Kolkata such as Rajarhat, the West Howrah International City and Dankuni Township also proved to be difficult. Following Naidu's lead in Andhra Pradesh, the CPI(M) adopted many of the competitive policies and aggressive and competitive tactics in negotiating, deal- making and marketing, to attract investors from the private sector (Basu 2007). McKinsey was hired by the West Bengal state government too. In West Bengal their plan for contract farming in the agriculture sector was mostly ignored, but their strategy for the IT sector, was adopted²⁸.

CPI(M)'s rebranding project in West Bengal created various explicit and not- so explicit schisms within the Party. One of the schisms was between the CPI(M)'s approach at the state level and its approach at the national level. While the CPI(M) tried to woo investors at the state level, it

28 Based on interview with the ex- WBIT Principal Secretary 2008

maintained its role of opposition to neoliberalism at the national level. At the state level, there were also schisms between ideological values and political practice, as the Party used neoliberal strategies to attract investors. China and its policies towards economic development were often cited by the CPI(M) in response to this critique. Also, there was growing schism between the CPI(M) Party and the CPI(M) state government, as unions that were part of the Party were increasingly sidelined by the state government.

The reinvention of CPI(M)'s politics in West Bengal was an aggressive process achieved within a relatively short time frame and much of it was top- down and ad- hoc. Resistance from the media, affected population, as well as citizen groups were dismissed summarily and with force, if necessary. The climate of political restructuring allowed urbanization of the development paradigm in West Bengal, despite West Bengal's history of rural reform and the CPI(M)'s long-standing rural agenda, and rural claims over land were superseded by industrial/ urban projects that brought in external investments. The state was an active partner in this process with their role in land acquisition and violence that marked public protests at Rajarhat and later at Nandigram (10,000 acre chemical Special Economic Zone proposed by Indonesia's Salim Group) where 14 villagers were shot dead by CPI(M) party- workers dressed as the police, Singur (1000 acre car factory proposed by TATA motors) and Lalgarh (5000 acre Special Economic Zone for a steel plant by the Jindal Group), which ended up as a military action against Maoists, in the tribal- dominated area.

Reporting Success: Hyderabad vs. West Bengal

However, the relative success of the two state governments in attracting external investments is reported in very different tones. While Hyderabad and Chandrababu Naidu's government (AP's charismatic, pro- market Chief Minister, who preferred to be called the CEO of the state) are held up as models for successfully attracting high- profile external investors, including Microsoft, while Kolkata and the CPI(M) government in West Bengal headed by Buddhadeb Bhattacharjee, are typically described as 'also rans', significantly affected by the state's history of a communist government (democratically elected) and unionism. Table 1 below summarizes the investments that the two cities received from different players between 1995 and 2004.

<i>Table 1: Cumulative Investment in Rs. billion 1995-2004 and by percent in 2004</i>							
Urban Agglomeration	Total Investment (95-04) INR billion	Central Govt. 2004	State Govt. 2004	Joint Sector 2004	Private (Indian) 2004	Private (Foreign) 2004	Total 2004
Kolkata	119.55	22.62	0.43	13.07	63.29	0.59	100
Hyderabad	110.63	23.89	17.38	13.83	37.14	7.76	100

Source: Shaw and Satish 2007 pg. 152 (based on data retrieved from CAPEX, Centre for Monitoring the Indian Economy, February 05)

As may be seen the two cities attracted similar levels of overall investment, with Kolkata performing better than Hyderabad in the 1995-2004 period. However, Hyderabad, sourced a larger share of the overall investment in 2004 from private (foreign) players. However, the AP state government also took on a larger share of the overall investment themselves. In contrast, Kolkata attracted much higher levels of investments from private (domestic) players and the state government took on a much lower share of the investment burden. The numbers reveal the

underlying bias that has emerged in India, in the era of market globalization and state liberalization, where foreign investments receive much greater policy (and media) attention and successfully attracting such investments have become the basis for 'best practice' norms in governance. These biases that exist in the 'reporting' of the relative success of the two cities are essential to sift through and analyze the politics that has accompanied the spatial transformations of the two cities. The significant press that Hyderabad has received for promoting the IT sector is also borne out by the following numbers that reveal that most of the foreign investment that Hyderabad received between 1995-2004 was in the IT sector.

<i>Table 2: Cumulative investment by foreign ownership (1995–2004) by sector, in Rs. billion</i>		
Sector	Kolkata	Hyderabad
Pharmaceuticals and medical systems	0.7	
Biotechnology		1.2
R&D, IT and software, call centers and electronics		7.15
Total	0.7	8.59

Source: Shaw and Satish 2007 pg. 152 (based on data retrieved from CAPEX, Centre for Monitoring the Indian Economy, February 05)

The IT Sector and a New Development Discourse

Within the changes that economic liberalization imposed on states across India, it is important to understand the strategic role that the IT sector played in legitimizing and furthering the overall liberalization project in India. As a highly successful global sector, it provided economic proof of

the claims made in favor of liberalization and globalization. The sector not only created high profile jobs within the Indian economy, famously characterized as 'stagnant' in the pre-liberalization developmentalist phase of India's state efforts (involving national planning through 5 year plans), but also acted as a magnet for external investments, both domestic and foreign. As a result, the IT sector became India's most coveted economic sector, sparking intense regional competition between states and cities. The sector has received both traditional industrial incentives such as tax holidays, etc. However over time the sector's demands for special treatment have gone beyond the sector's needs and become aggrandized demands to reshape India's cities, to be more modern, as per the visions and aspirations of those associated with the IT sector. Perhaps evocative of this trend is the book written by Nandan Nilekani, the co-founder of Infosys, one of India's largest IT corporations, which has since gone on to become a multinational, titled, "Imagining India: The Idea of a Renewed Nation"²⁹. The year 2008 marked an important shift for the traditional industrial incentives, the IT sector enjoyed. By 2008, most IT Parks in the countries had already enjoyed a 20 year tax holiday through their designation as Export Processing Zones. In 2008 when these holidays were scheduled to end, there were en-masse applications from IT Parks around the country to be re-designated as Special Economic Zones, to extend tax holidays for another 20 years. Most of these applications were accepted. Presently 65% of Special Economic Zones in India are IT SEZs. A notable voice from within the industry that critiqued the sector's ongoing dependence on the state to write off its tax responsibilities, despite achieving global success, came from Narayan Murthy, another co-

29 Thomas Friedman acknowledges Nilekani as the inspiration behind his 'The World is Flat' idea. Nilekani has gone on to become the Chairman of the Unique Identification Authority of India, a Government of India project to create a unique biometric ID for every citizen that would be key to accessing all public and private services in the future.

founder of Infosys. Pressure from within the industry ultimately forced Murthy to retract his statement.

NASSCOM, the business association of IT corporates in India, along with major domestic and foreign IT corporates have successfully lobbied state governments (and the central government) to recognize the need for special and exclusive spatial restructuring of existing Indian cities to meet the IT sector's spatial needs in consecutive 'to do' lists they have prepared. The first generation of these lists associated with the first NASSCOM – McKinsey report (1999) lobbied the government for “campus style” developments for IT corporates, referencing low- density American suburban landscapes (and IT campuses in Silicon Valley and Redmond, a suburb of Seattle), which were nonetheless accommodated by various city and state governments in India, in and around high density metropolises such as Bangalore, Hyderabad and Kolkata. In subsequent reports, NASSCOM and McKinsey, have praised state efforts for the, “creation of urban infrastructure that has fostered several IT centers in the country” (NASSCOM McKinsey Report 2005: 15), such as Cyberabad, noting that “state Governments are vying with each other to attract ITES investments and that the “Government has created a regulatory environment marked by sops for ITES players such as a 10-year tax holiday, rebates in customs duties, liberal investment policies, etc.” (NASSCOM McKinsey Report 2002³⁰). The 'demands' made by NASSCOM and McKinsey have received top priority by the central and state governments and have resulted in ministerial meetings/ joint workshops/ task forces, consultations with state governments before they finalize their IT policies, successful proposals for tax- cuts in the Union

30 Available at <http://www.nasscom.in/Nasscom/templates/NormalPage.aspx?id=2598> Accessed June 17th 2011

Budgets, etc. (see NASSCOM Annual Reports³¹). Buoyed by success, NASSCOM has become even more explicit about the 'space needs for the sector, recently, and the NASSCOM- McKinsey Report (2005) states,

“Between today and 2010 we estimate that the IT and BPO industries will have to employ an additional workforce of approximately 1 million workers near five Tier I cities (New Delhi, Bangalore, Hyderabad, Chennai and Mumbai), and approximately 600,000 workers across other towns in India. Thus the IT and BPO industries need at least five new “Gurgaon-plus” and five to seven new 'Pune-plus' integrated townships. The resulting burden on urban infrastructure is likely to be substantial. For example, over 1 million international airline trips a year will be required for these industries in 2010, constituting around 20% of total international airline trips undertaken by Indians in 2010.” (pg. 17).

The report goes on to set the following agenda for the central and state governments:

“Immediately develop a master-plan for 10-12 integrated townships with associated urban infrastructure including international airports, roads and land development, Facilitate large scale land acquisition (>1000 acres) and land development (e.g., sanitation system, power supply) for each integrated township, Expedite modernisation of existing international airports.” (pg. 19-20)³²

31 Available at <http://www.nasscom.in/upload/41527/Annual%20Report-06-07.pdf>, <http://www.nasscom.in/upload/Nasscom-Annual-Report.pdf> and <http://nasscom.in/Nasscom/templates/NormalPage.aspx?id=28721>

32 Available at http://www.mckinsey.com/locations/india/mckinseyonindia/pdf/nasscom_mckinsey_report_2005.pdf

Further, NASSCOM demands are not just restricted to 'space' needs for the IT sectors anymore. The 2005 report demands the central and state governments to, “take reciprocal market-opening steps such as liberalising important industry sectors such as financial services and retail and deregulate higher education in stages over the next five to seven years, and shift to a largely demand-based funding system for colleges and universities” (pg.19)

These 'demands' based on a discourse of 'best practice' models from other global destinations competing to be IT destinations, are place-less transfers of market utopias that completely ignore the spatial characteristics, potentials and constraints of the various locations around the world that seek to be 'flattened'. Over time, IT corporates have legitimized their consumption of large land banks around dense metropolitan regions of Indian cities. All the NASSCOM and McKinsey reports have also successfully lobbied the government for progressively easier terms for IT corporates to have SEZ designation and extension of SEZ subsidies available to them (NASSCOM and McKinsey Reports 1999, 2002, 2005).

The IT sector also played a significant role in transforming political processes post-liberalization, with e- governance becoming a norm for a 'modern', 'efficient' administrative system. Naidu played an important role in setting the precedent for this too. He coined the term SMART governance for his efforts, where SMART was an acronym for 'simple, moral, accountable, responsive and transparent' (Mooij 2003). He worked hard to introduce Information Technology into the record- keeping of Andhra Pradesh and make all levels of government accessible through the internet (Dabla 2004). Again there was a top- down bias in this mode of

introducing transparency into government and transforming it into 'governance'. Critical information at the individual and household level such as land records, etc. became easily accessible, yet information regarding the government's activities and dealings remained obfuscated. Andhra Pradesh under Naidu was famous for not enacting state policies, even flagship ones, such as the state IT policy, and committing it on paper, because 'draft' policies gave the government flexibility to negotiate one-on-one deals with investors. The details of most negotiations, especially the 'sweeteners', remained outside the public domain. Mooij (2003) references this as the 'hype and hide' strategy of the AP government. Andhra Pradesh was one of the last states to enact its IT policy even though it was one of the first states to draft it.

On the other hand, creating e-records of critical information such as property titles, was implemented without adequate safeguards that this information would not be used to further destabilize the power equation between individual households and state- approved agents, including investors and developers. Murky land records have been the bane of large- scale projects in India, requiring acquisition of large tracts of land, but in their own way, these murky records have acted as an institutional barrier against easy large- scale transfer of land resources from individual farming families to large scale players, including the government and private developers. By removing the barriers associated with record- keeping and separating it from the processes of future land acquisitions, the Naidu government effectively simplified and gave greater legal legitimacy to future land acquisitions. The process of simplifying and assigning property titles to single individuals, even if property ownership followed alternate norms, as a part of the record- keeping process, was in reality an extensive project of retitling, which was

achieved with relatively little political strife or protests. During land acquisition, such retitling is often highly political and often the last stand for families disputing the acquisition itself. Rural families, did not view the abstract task of government record keeping with the same degree of suspicion as they would if their lands were being taken away.

The IT sector's success in the global market, and the overall popularity the sector enjoyed in the mainstream media and popular imagination, as the face of India's aspirational future, made it an ideal candidate for state governments in both West Bengal and Andhra Pradesh, to adopt it as the face of their respective projects of liberalization at the state level and their projects to rebrand their own image and the image of their states to attract external investment interest. In both cities, the importance of the success and importance of the IT sector has been a critical component of the new development narrative that emerged.

Yet a closer look at the politics around the promotion of the sector in the two cities highlights that while the IT sector was strategic for both Andhra Pradesh and West Bengal, it fulfilled different roles within the development agendas of the two state governments. For Naidu, in Andhra Pradesh, the IT sector was central to the makeover of his personal image, as well as the image he wanted to create for Hyderabad and extend to the entire state. The technology platform was central to Naidu's political reinvention and he was successful in creating a broad-based consensus amongst different government departments, particularly those active in the development of Hyderabad itself, around the technology platform. As such his IT strategies were implemented without explicit inter-departmental conflicts. In contrast, IT played a strategic, but

relatively secondary role to the overall change in CPI(M)'s development agenda in Kolkata under Buddhadeb Bhattacharjee's leadership. As mentioned before, the CPI(M) government due to its particular history with the private sector, pursued external investments via real estate developers. In this project the IT sector played a critical role because of its ability to attract investment and development interest across a variety of high end real estate sectors in keeping with NASSCOM's vision to create self- sufficient IT cities and exclusive IT enclaves, comprising of high end housing, retail, hospitality, hospitals, schools, etc. McKinsey's report highlighting the IT potential of West Bengal acted as the main force behind a discrete IT agenda, driven by the state's IT department. However, creating new IT hubs in the city with rental rates that were in line with the demands of the industry, ran into multiple inter-departmental conflicts, which highlighted the departments' different interpretations regarding the city's future. These conflicts have been discussed in more detail in the next chapter (Chapter 4), where the spatial strategies adopted to facilitate the IT sector in the two cities are discussed.

Conclusion- Regionalism and a New Development Regime at the State/ City Levels

Decentralization of political power, the rise of regional political parties, and the rise of various private players as significant non- state political actors, changed the development regime at the state level. The new development regime was more competitive with states/ regions vying for external investor interest, while trying to appeal to a more regionally defined electorate.

Legislative measures, such as the 73rd and 74th amendments to the Constitution enacted in 1992, gave constitutional autonomous powers to local governments at the municipal (urban areas) and panchayat levels (villages), and contributed to the overall dynamics of decentralization. State

governments, instead of the Central Government, became the points of contact for investors and consulting agencies. The politics of development took on a competitive edge that had been absent during the 'developmentalist' era, which had looked on a 'Needs Assessment' approach. Even centrally disbursed funds for development saw a policy shift and new policies such as the Jawaharlal Nehru Urban Renewal Mission (JNNURM)³³, were set up to be competitive and subject to cities implementing reforms, along the lines of structural adjustments instituted at the national level.

In a bid to attract external investments, state governments across the country launched into advertisement campaigns to market their states as attractive investment destinations, guided by management consulting advice. These advertising campaigns involved road shows, investor meets and competitive systems of incentives and subsidies for investors across states and cities. An urban bias was built into the emergent development regime as it was easier to market a particular city as a destination, rather than a whole state/ region. The capital cities of various states, which were often demographically, politically and economically primate cities within their regional systems, became spatial 'showcases' for these marketing efforts. In both Andhra Pradesh and West Bengal, Hyderabad and Kolkata featured prominently in the respective state governments' new agenda for business- friendly practices. The urban bias in the development regime was supplemented by the urban focus of the high technology IT sector, which was one of the key sectors that attracted external investments, especially foreign investments into India post-liberalization. There was also a shift in focus from social infrastructure (seen as cost burdens) to economic infrastructure projects, where a return on investments was possible.

33 Discussed in more detail in Chapter 5: Liberalized Development Regime

With cities such as Hyderabad and Kolkata becoming the face of the broader liberalization project of the state government, urban development approaches saw a significant shift. This new development regime was characterized by an expanded role for non- state actors including private developers, investors and consultants, financial viability becoming the new litmus test for a project to be adopted, state- driven competition between cities for new projects and investments (reflected in newly formulated state- level policies, such as state IT policies), selection of private partners for infrastructure projects through open bidding processes, along with greater room for one-on- one negotiations between the state and private investors to negotiate terms, incentives and subsidies associated with new investments. Even as the post- liberalization era saw a proliferation in the 'rule of experts', particularly with private consultants becoming an integral part of public policy- making, the public policy discourse itself adopted a whole range of new words, including 'governance' (instead of government), 'good governance' and 'transparent' governance, which implied a break from the corrupt, bureaucratic and obscure state practices in place before liberalization. The IT sector played a critical role in the transition from government to governance, with e- governance, which included digitization of property and land records, creation of online public communication portals for service delivery and complaints, converting much of the everyday government operations and records into digital format, etc. becoming standard across states.

Naidu played a critical role in setting the precedent for this new development regime, that later became generally accepted as the 'new normal' (a term coined by McKinsey to describe business practices post the global recession in 2008) across states in India. He was the first to establish a

state- level agreement with the World Bank. He marketed Hyderabad as an investment destination in direct competition with Bangalore, already colloquially referred to as India's Silicon Valley, and succeeded in convincing Microsoft to set up its first offshore facility in Hyderabad. Hyderabad shot into global public recall and the foreign and domestic press loved Naidu, as did people/ agencies as diverse as Bill Gates, Bill Clinton, the World Bank, George Bush Jr., Tony Blair and the World Economic Forum, which included him in the 'dream cabinet' of world political leaders in 1998. The trajectories that political practices and development policies assumed in West Bengal, highlight that even though Naidu eventually lost the state elections and dropped out of the political limelight because of exacerbating rural distress in Andhra Pradesh, much of the practices and approaches he put in place, became the precedent for state government behavior across the country.

The cases of both political parties in both states, highlight that the road to neoliberalism was fraught with internal schisms, which ultimately cut short the political trajectories of both parties. While the CPI(M) in West Bengal spun out a balancing act between its communist credo and neoliberal practices to attract external investments into Kolkata, which increasingly became marked by state violence and public protests, Naidu led a double life, moving between his images of the tech- savvy Chief Minister of Andhra Pradesh and his populist persona in rural Andhra politics, until rising rural distress cut his political career short.

Chapter 4: Present Spatialities of Development in Kolkata and Hyderabad

The state capitals, Kolkata and Hyderabad played an important role in the state governments of West Bengal and Andhra Pradesh, reinventing their political image. This is indicative of a broader trend of larger urban centers becoming the spatial showcase for state liberalization agendas. Both cities transformed visibly as a result of state governments aggressively marketing the cities as investment destinations and providing place- based incentives, typically within enclaves, to external investors. This chapter examines in particular, the spatial strategies used to attract investments from the IT sector and how these strategies transformed the spatial economies of the two cities. As mentioned in the previous chapter, the IT sector played a strategic role in the liberalization agendas of both state governments. Both governments targeted IT investments through land- based incentives, such as new IT Parks and new infrastructure, typically in periurban areas, which emerged as the preferred location for new 'globalized' enclaves. However unlike the historic formats of industrial enclaves in India, these new developments were designed to be hypermodern urban areas, more extensive in scale than industrial parks and in both cities these areas assumed the characteristics of parallel cities with their own real estate and connectivity logics. These developments were planned as stand-alone cities, with infrastructure support provided by the cities' development authorities (under direct control of the state governments). Infrastructure support included upgraded connections to city airports through high speed, limited use roads, captive water and power infrastructure, etc. These parallel cities are now more than just spatial enclaves. With their scale and separateness they have normalized a new urban development narrative. They represent new 'globalized' versions of Kolkata and

Hyderabad and have become the preferred marketing platform for both public and private actors to attract new investment and consumer interest. These areas have remade urban- periurban relationships in both cities.

The transformations in Kolkata and Hyderabad exhibit parallels in morphology (form and content). The official development narratives justifying the new developments are similar, despite the differences in political ideology of the two state governments, the different time-lines over which the changes occurred in the two cities and the difference in the initial challenges the two cities faced. This chapter uses empirical findings from field research and secondary research to analyze the spatial changes in the two cities and their implications.

The main arguments in this chapter:

1. The urban bias within the state liberalization strategies is highlighted by the central role that Kolkata and Hyderabad played as state capitals.
2. Spatial strategies to incentivize the IT sector went beyond typical industrial incentives, such as tax holidays and access to globally competitive corporate space. Rather in line with NASSCOM's vision, both Kolkata and Hyderabad created separate IT hubs in the peripheries of the main cities, which were essentially high end real estate enclaves, with not only corporate space, but also included housing, retail, hospitals, schools, hotels and resorts.
3. Creating IT enclaves incentivized private land consolidation in the peripheries and large-scale transfer of land from existing periurban land users to new external investors

wanting to invest/ build high end real estate projects, on a much broader scale. Both state governments facilitated the large- scale rewrite of the peripheries of the two cities through the development of parallel periurban cities, targeting external investors, which were more 'globalized' in terms of development profile, quality of infrastructure, style of governance and claimed better global connectivity via 'smart' technology as well as easy physical access to international airports. These dynamics highlight the IT sector and a high- end real estate sector, an important hallmark of liberalization in India.

4. Private actors, such as consultants and private sector developers, have assumed strategically important roles in planning, development and even land acquisition processes in the urban peripheries.
5. Spatial fragmentation and separation between new external investment driven development areas and existing city areas were strategically implemented via land acquisitions and large- scale displacements, and legally enforced through new statutory regulations³⁴, by state government agencies, as a part of an emergent neoliberal development paradigm. This is contrary to the mainstream argument that these fragmentations are incidental effects of urban growth, and will ultimately be 'flattened'.
6. Periurban land consolidations highlight both public and private speculative behavior. The speculation of state government agencies trying to capitalize on capital gains have in some cases been indicted, as nepotism and corruption³⁵. However, the state's larger structural role in incentivizing speculation, by acting as a guarantor of exceptional private profits in high end real estate development, has become accepted and even celebrated

34 Discussed in more detail in Chapter 5: Liberalized Development Regime

35 This argument is developed in more detail in Chapter 5: Liberalized Development Regime

within the emergent neoliberal development paradigm. Private speculative tendencies are revealed in the lack of actual construction activity in the periphery despite large scale land consolidation. The hyped-up development projections used to justify the consolidations, often using Eminent Domain (citing public purpose) have not materialized in either city and most of the land remains undeveloped and subject to 'encroachments'³⁶.

7. The periurban changes in the two cities have been marked by large- scale displacement of periurban populations and periurban land uses, often through explicit (and violent) use of public and private force. Yet, the official narratives and justifications for using periurban areas in these new projects of liberalization and globalization have been premised on deeming them as 'blank slates', or simply 'urban frontiers', available for urban expansion³⁷ and effectively real estate speculation. Official development narratives do not include assessments of what these displacements implicate for overall urban and regional sustainability.

Kolkata and Hyderabad: State Capitals 'Showcasing' State Government Strategies

State governments in both Andhra Pradesh (AP) and West Bengal (WB) prioritized the development of IT hubs in the capital cities i.e. Hyderabad and Kolkata, in their state-level IT strategies. Both cities were the first and most important IT hubs in their respective states and

36 The discussion regarding 'development' vs. 'encroachments' has been developed further in Chapter 6: Discursive Practices of 'Development' vs. 'Encroachment'

37 Chapter 6 includes a more detailed discussion of the political implications of the state progressively rewriting the legal premise of who can legally produce (or simply hold as a blank real estate holding) urban space. It also argues that despite official narratives of the 'blankness' of the periphery, the displacements are changing existing urban- periurban systems of resource flow, including those of water, food, waste, etc. Thus, the displacement of existing periurban uses is significantly damaging the cities' environmental and economic vulnerability.

showcased a range of infrastructure and policy measures intended to facilitate IT investments, including IT Parks and IT buildings with plug and play facilities, deregulated statutory zones with export facilitation and tax benefits, public investment into infrastructure, support for higher technical education to make manpower available to the IT sector, etc. Transforming state capitals into IT destinations capitalized on better physical, financial and educational infrastructure, which the state capitals already enjoyed. Also, given the nature of negotiations and relations between business and government vis-a-vis the IT sector, the state capitals, as the political power center, appealed to both investors (negotiating for special considerations), as well as state agencies (trying to facilitate investor interest).

Periurban Developments for New Investments

In both cities, “new economy” areas (Madon 1997) in the form of specially designated IT zones were created by the state governments, in the urban peripheries (Chakravorty 2000, Ramachandraiah 2003, Dupont and Sridharan 2007, Shaw and Satish 2007, Chacko 2007, Kennedy 2007). These IT zones were modeled after global benchmarks such as Silicon Valley and Redmond (suburbs of Seattle) in design, density and layout. As the Microsoft website states about its campus at Hyderabad³⁸, “Our 54-acre green campus in Hyderabad has been designed to match Redmond standards”. The decision to locate high- end, high profile and investment – intensive IT hubs in urban peripheries constitute a significant departure from earlier urbanization patterns in periurban areas of Indian cities, which Roy (2009) describes as, “rapid peri-urbanization... unfolding at the edges of the world's largest cities is an informalized process, often in violation of master plans and state norms but often informally sanctioned by the state

38 See <http://www.microsoft.com/india/msidc/>

(pg. 826)". In contrast, periurban IT hubs not only have full government sanction, but were planned with higher levels of infrastructure and higher quality space for new IT tenants, ranging from multi- user buildings (with plug- and- play facilities) to exclusive single user campuses, often delineated with Special Economic Zone (SEZ) status (Ramachandraiah 2003). As investor interests broadened, both state governments became more ambitious, and periurban IT zones in both Kolkata and Hyderabad, became precursors to new self- sufficient and self- contained 'sub-cities', also located on the urban peripheries, targeting external investors, not just for the IT sector, but also developers and investors for high- end residential, commercial and hospitality projects (Ramachandraiah 2003, Chacko 2007, Kamat 2011).

In both Hyderabad and Kolkata, McKinsey and Company, the global management consulting firm, was hired to strategize how the IT sector was to be attracted and accommodated. McKinsey & Company, identified the IT sector as a top- priority for Andhra Pradesh in their Vision 2020 document, "Andhra Pradesh will leverage information technology to attain a position of leadership and excellence in the information age and to transform itself into a knowledge society" (Ramachandraiah 2003: 276). McKinsey and Company was also hired by the West Bengal IT department³⁹ to assess the state's IT potential, especially Kolkata and prepare a plan (interview with the ex- WBIT Principal Secy. 2008). McKinsey made projections that West Bengal could emerge as one of the top three exporters of IT services in the country (McKinsey Report 2002), which became the blueprint for the WBIT's ambitious plans for the state. In the following sections the details of the IT hubs that were created in Hyderabad and Kolkata have

39 The West Bengal government also consulted with CII (Confederation of Indian Industries) and PWC (Pricewaterhouse Coopers), a 'Big 5' management consulting firm, regarding the promotion of the IT sector in the state (Shaw 2007)

been detailed. The incentives provided to the IT sector in these hubs went over and beyond traditional industrial incentives (which the sector already enjoys) such as tax holidays and fulfilling space and infrastructure needs of the sector. Rather, the incentives materialized an alternate hypermodern urban vision, in terms of not only high- end office space, but also self-sufficient urban enclaves with high end housing, retail, hotels, resorts, hospitals, etc.

Periurban IT Hubs in Hyderabad: HITEC City and Cyberabad

In Hyderabad, HITEC City (in operation since 1998) was the first IT hub, spread over 151 acres of land, and developed as a joint venture partnership between APIIC (Andhra Pradesh Industrial Investment Corporation) and Larsen & Toubro, a private sector developer. The Park is located on the western edge of the main city, adjacent to Banjara Hills and Jubilee Hills, the two wealthiest and most exclusive neighborhoods in Hyderabad. With time, the IT hub has expanded into a self-contained sub-city called Cyberabad, spread over 12,600 acres, designed to provide the highest level of services. The Cyberabad Development Authority (CDA), announces on its website⁴⁰, “Cyberabad Enclave will become a model for other urban areas in the country by providing clean air and water, high quality of services such as sanitation and waste management, and the best standards of power, housing and transport.” (CDA 2011). Cyberabad has its own police force.

Cyberabad comprises of multi-user buildings for IT corporates, with some land available for corporates to 'build-to-suit'. However 'build to suit' land parcels are relatively small, e.g., HITEC city offers its corporate tenants a choice between 5mn sft. of built-up space available across 3

40 See Cyberabad Development Authority. 2011. “CDA Highlights of the Plan.” Accessed June 17. <http://www.hmda.gov.in/huda/inside/cda01.asp>

multi-user buildings and 67 acres of land available in plots of 1- 5 acres each, for 'build to suit' campus style developments⁴¹ (L&T Infocity 2011). Cyberabad also has housing developments, targeting those working at Cyberabad, along with shopping malls, clubs, schools, medical and recreational facilities. Often these facilities are exclusive to the employees and business associates of IT corporates based in Cyberabad, e.g., HITEC city has a residential development adjacent to the commercial park, targeting the employees of corporate tenants located at the IT Park. The residential development called Serene County is developed over 31.59 acres and offers its residents exclusive access to a club, shopping complex, community center and recreational facilities⁴² (L&T Infocity 2011).

41 See L&T Infocity. 2011. "HITEC City." Accessed June 17. <http://www.ltinfinity.com/html/Hitec.htm>

42 L&T Infocity. 2011. "Serene County- A Mega Residential Township." Accessed June 17. <http://www.ltinfinity.com/residential/>

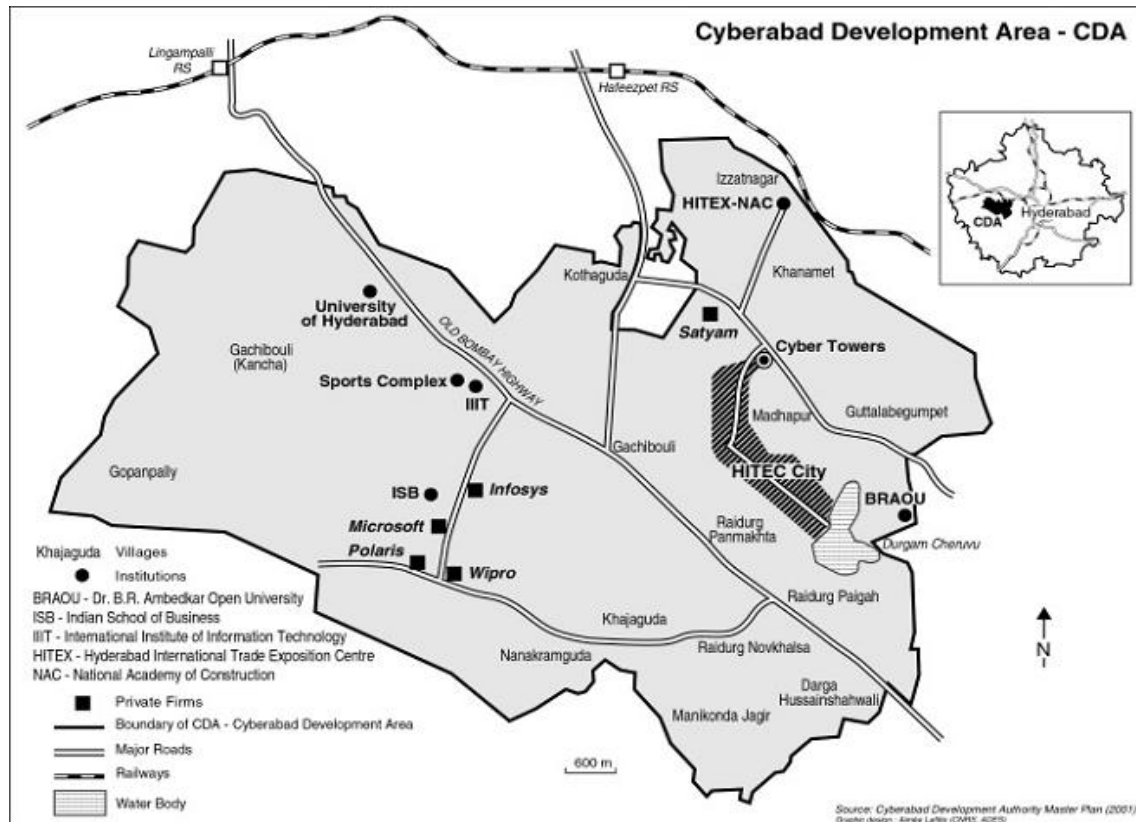


Illustration 1: Cyberabad Map (Courtesy: Ramachandraiah May 2009)

In Hyderabad, promoting the IT sector was defined as top priority by the Chief Minister Chandrababu Naidu and his vision was shared by state agencies and departments (Ramachandraiah 2003, Dabla 2004). Naidu successfully negotiated with global IT corporates such as Microsoft by promising them access to land banks to develop self-sufficient campuses in line with their facilities at Silicon Valley or Seattle. However, land options for IT corporates were limited at Cyberabad. So eventually campuses were accommodated in expansions beyond Cyberabad, in areas such as Gachibowli, Raidurg and Manikonda (Interviews with CB Richard Ellis, a real estate consulting firm in May 2009).

Periurban IT Hubs in Kolkata: Sector V and Rajarhat

The initial IT hub developed was Sector V, Bidhannagar (previously called Salt Lake city), a 430 acre area. The land was unused, already in government possession, with access to infrastructure and located in Bidhannagar, one of the only planned areas in Kolkata with a middle to high income population (Chakravorty 2000) that meshed well with the image and demands of the IT sector. Bidhannagar on the eastern periphery of Kolkata, was developed between 1958 and 1965, on reclaimed salty marsh lands. With low residential density and higher institutional presence, (R&D laboratories, educational institutes, government offices etc.), Bidhannagar presents a distinct contrast to the congested main city of Kolkata. It is predominantly occupied by middle and high income groups. Of the five sectors in Bidhannagar, Sector V, was originally, designated for 'institutional use', but remained unused due to lack of external investments. IT facilities developed at Sector V include a 150 acre 'hi-tech industrial zone' called SALTLEC (Shaw and Satish 2007), plug and play facilities such as Bengal Infinity Towers I and II (280,000 sq.ft.), Bengal Intelligent Parks (250,000 sq.ft.) and Millennium Tower (300,000 sq.ft.)⁴³. However demand quickly outpaced supply in Sector V and there was need for expansion. Kolkata's second IT hub was developed at New Town, located to the north- east of Bidhannagar.

43 See WEBEL website at <http://www.webel-india.com/saltlec.html>

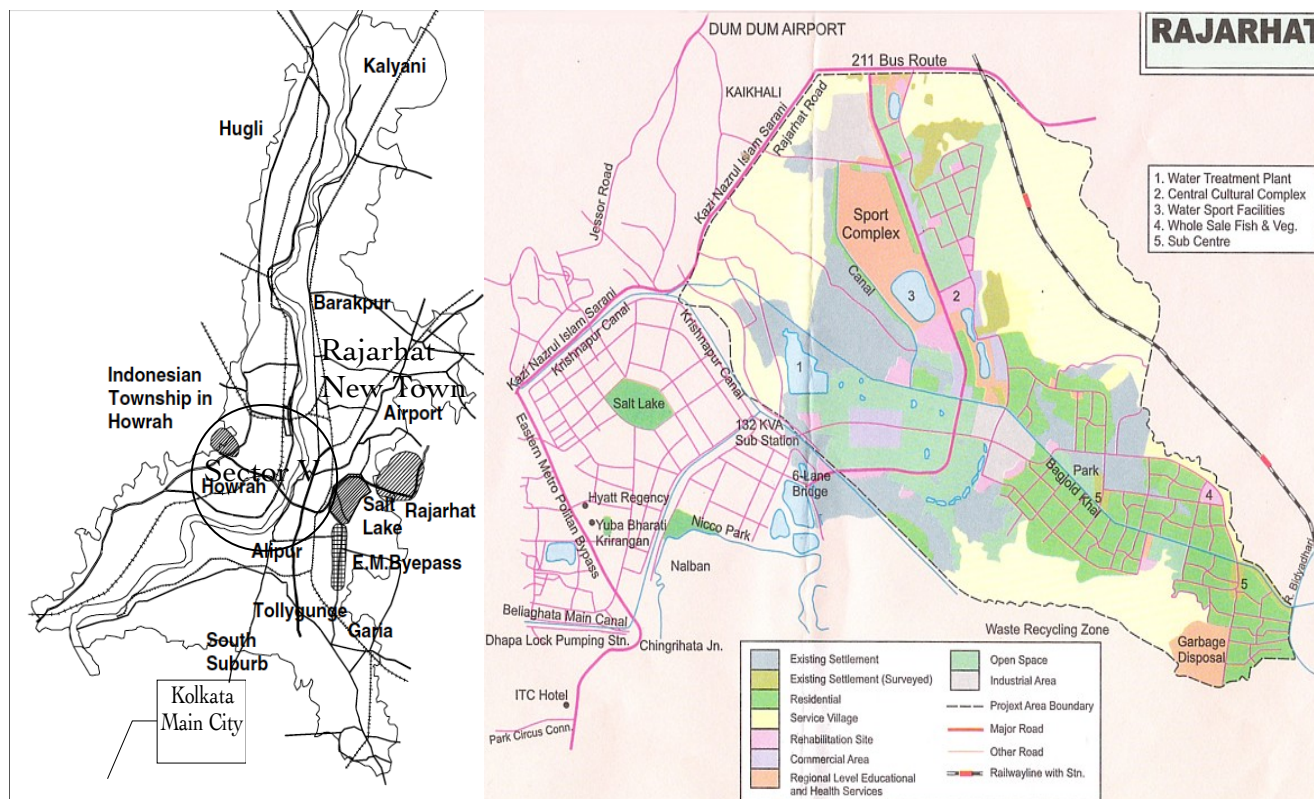


Illustration 2: Kolkata Agglomeration (Source: Shaw and Satish 2007, 159)

Illustration 2: Kolkata Agglomeration (Source: Shaw and Satish 2007, 159)

New Town was a planned sub-city proposed by the Housing Department, over 3,779 hectares of land⁴⁴. The early landuse plans for New Town (HIDCO⁴⁵ Project Report 1999) did not have specific plans to accommodate the IT sector, rather space was designated for commercial/ industrial work zones, with commercial zones (140 ha) intended for “office complex, both for the public and private sector, headquarters and/or regional offices of bank, insurance companies, financial institutions, major offices of airline organizations, hotel complex, shopping complex, major cultural complex and commercial, recreation facilities” (pg. 16), while the industrial area

44 See the official description at the HIDCO website: http://www.wbhidcoltd.com/About_hidco/new_town.html

45 HIDCO (WB Housing Infrastructure Development Company) was a limited liability public company set up as the executive agency by the Housing Ministry to draw up plans, coordinate land acquisition and implement the New Town Rajarhat project.

(200 ha) intended for “non- polluting, inoffensive and non- hazardous industries” (pg. 16), supported by a “truck terminal, wholesale trading facilities, storage and warehouses” (pg. 17). The 'industry' to be promoted was not specified. However, jobs in these proposed 'industries' were promised to villagers, during land acquisition using Eminent Domain, to make New Town possible. These promised jobs were an important bargaining point and later conflicts with villagers recalled these promises, especially as the IT sector with its 'white collar' jobs came to replace promised 'blue-collar' manufacturing jobs (interviews with affected villagers 2008). Negotiations between the IT Department and the Housing Department regarding IT space in New Town were not smooth. However, ultimately some of the 'industrial/ work zones' in the New Town, were re-designated as IT hubs (Interview with the ex- WBIT Principal Secy. 2008). Presently 360 acres of land (increased from 300 acres⁴⁶) are demarcated for the IT sector⁴⁷ (NKDA 2011), which allowed the WB IT department to negotiate with IT corporates, such as IBM, WIPRO, INFOSYS, etc⁴⁸.

The IT department and the Housing department were engaged in long drawn-out disagreements before coming to a compromise. The two departments disagreed on both quantity and price of land available for the IT sector within New Town. The Housing Department acknowledged the shift in the economic and investment climate of Kolkata, which made IT investments, a viable and more lucrative option, as compared to other industrial investments. As such they

46 See “CM seeks land for IT Titans.” Times of India Kolkata, Sep 17, 2009. Accessed June 17, 2011. http://articles.timesofindia.indiatimes.com/2009-09-17/kolkata/28109634_1_rajarhat-land-housing-infrastructure-development-corporation-land-price

47 New Town Kolkata Development Authority. 2011. “Major Activities.” Accessed June 17. <http://www.nkdamar.org/ntda/Pages.aspx?req=MajorActivities>

48 See Chakroborti, Suman. 2010. “50 tech firms vie for Rajarhat land.” The Times of India Kolkata, January 11. Accessed June 17, 2011. http://articles.timesofindia.indiatimes.com/2010-01-11/kolkata/28135796_1_hidco-new-town-saurabh-das

accommodated some IT hubs within the New Town. However, they were not prepared to shift the focus of the New Town entirely towards the IT sector, and make it an IT township, as the IT department would have preferred. Price of land was also a contentious issue, with the 'multiplier' rates added to the base cost of the land, by HIDCO (agency set up under the state housing department, responsible for planning and development of New Town), analyzed as being one of the highest mark-ups in Asia (Sengupta and Tipple 2007). The IT department insisted the Housing department was impeding inward investments into the state by not making sufficient land available at affordable prices (interview with the ex- WBIT principal Secy. 2008). This view was echoed by various IT corporates⁴⁹. The high prices at the New Town directly affected the IT department's assurances to IT corporates in the state's IT policy⁵⁰ that land would be available at subsidized prices (WBIT 2003). Eventually, a compromise of sorts was reached by the decision to expand beyond New Town into the Rajarhat area.



Illustration 4: First IT Campus at New Town (Photo: SM July 2009)



Illustration 5: Technopolis; Sector V (Photo: SM July 2009)

49 See “Progress at snail's pace puts IT plans on hold.” Times of India, Dec 23, 2010. Accessed Jun 17, 2011. http://articles.timesofindia.indiatimes.com/2010-12-23/kolkata/28228727_1_hidco-action-area-iii-rajarhat-new-town

50 Available for download at http://www.itwb.org/download_pdf/itpolicy_2003.pdf Accessed 17th June, 2011

Plans for new IT hubs beyond New Town, fell in with the Housing department's existing plans to control land speculation in areas surrounding New Town. A new development authority called Bhangar- Rajarhat Development Authority (BRADA) was set up to oversee land transactions over 6000- 7000 hectares of land adjacent to New Town⁵¹. In the BRADA area (shortened to Rajarhat area), the state government entered into negotiations with various developers⁵² such as DLF, TATA Group, Shapoorji Pallonji, etc. to build new townships. Some of these townships were IT townships and/ or had proposals to build IT hubs within an 'integrated' township format. A laissez- faire approach towards land price was adopted in the Rajarhat area. Land transactions were neither controlled nor a base market price established, allowing private developers to operate freely in the area. This enabled a huge speculative land market, to emerge⁵³.

The contentious negotiations between various departments in Kolkata reveal that even though the city's periphery was transformed by the IT sector and the IT sector played a key role in shaping and inducing investment interest into periurban projects, the vision of the IT sector as the main vehicle of economic growth for Kolkata in a new globalizing economy, was not shared equally across departments. Different departments, continued to set their own agenda and envisioning different development futures for the city (and state), even as they were more than willing to use

51 Chakroborti, Suman. 2009. "Smoother land talks expected in Rajarhat" The Times of India Kolkata, Nov 1. Accessed June 17, 2011. http://articles.timesofindia.indiatimes.com/2009-11-01/kolkata/28103603_1_hidco-land-prices-brada

52 See WEBEL (West Bengal Electronics Industry Development Corporation Limited) website at <http://www.webel-india.com/new-town.html>, Also see "Bhangor, Rajarhat hit growth highway." Times of India, May 29, 2007. Accessed Jun 17, 2011. http://articles.timesofindia.indiatimes.com/2007-05-29/kolkata/27883529_1_brada-new-town-land-prices

53 See Chakroborti, Suman. 2010. "No leash on land sharks in Rajarhat." The Times of India Kolkata, Jun 28. Accessed June 17, 2011. http://articles.timesofindia.indiatimes.com/2010-06-28/kolkata/28276903_1_brada-land-sharks-cottah, also see Chakroborti, Suman. 2010. "Touts call shots in Bhangar-Rajarhat." The Times of India Kolkata, Nov 18. Accessed June 17, 2011. http://articles.timesofindia.indiatimes.com/2010-11-18/kolkata/28227224_1_land-prices-hidco-cottah

the IT brand name to further their own projects. In Hyderabad, Naidu was able to organize various departments into a more unified agenda, centered around the IT sector.

Remaking Peripheries in the Image of Technoburbs

The developments in the peripheries of Kolkata and Hyderabad were 'inspired' by two sets of spatial discourses with global reach, the first related to the idea of IT technoburbs, especially those based in US suburbs, and the second related more broadly to the idea of 'world cities'.

Indian emigres from the US who made their way back to India after retrenchments, following the IT bubble burst in 2000, emerged as an economically and politically powerful group and have been key to India's increasing global connections. As such, their imaginations of 'global' spaces, based on US- style IT suburbs, have powerfully impacted the 'world city' discourse in India and created a vocal lobby in favor of exclusive and gated residential developments on the outskirts of major Indian cities (Chacko 2007). In her paper Chacko describes these developments as “gated... amenities of similar developments in the United States” (pg 137). She goes on to quote an Indian architect who moved from Australia to Bangalore, “...returning NRIs want houses that have the designs, interiors and amenities they are used to. They want the spatial configurations, the high-end kitchens and bathrooms, the built-in closets, pantries and shelving. That’s where guys like me come in. We can marry the best of Indian and Western architecture” (pg. 138). Direct links between the US IT industry and new periurban developments in India have strengthened the bias that already exists within the 'world cities' framing, e.g. Singapore (a favorite 'world city' benchmark in India) is known for its downtown and Sentosa Island, rather

than its dense mass housing. London is identified as a 'world city' because of Canary Wharf, rather than Tottenham (Massey 2007).

The IT sector has normalized discourses of low urban densities and special integrated townships as part of its 'demands' to the government to create globally competitive spaces for the sector.

NASSCOM, the business association of IT companies in India, a powerful lobby for policy changes to favor the IT sector, has negotiated with the government not only for tax breaks and IT Parks, with physical and economic infrastructure support, but also for exclusive IT townships, in the periphery of major Indian metros, where employees and business associates of the IT sector may have access to an upscale quality of life. In their 2005 'To Do' for the national government, with the help of McKinsey and Company, their 'demands' were phrased as follows:

“...the IT and BPO industries need at least five new “Gurgaon-plus” and five to seven new 'Pune-plus' integrated townships. The resulting burden on urban infrastructure is likely to be substantial. For example, over 1 million international airline trips a year will be required for these industries in 2010, constituting around 20% of total international airline trips undertaken by Indians in 2010.” (pg. 17)

The report goes on to set the following agenda for the central and state governments:

“Immediately develop a master-plan for 10-12 integrated townships with associated urban infrastructure including international airports, roads and land development, Facilitate large scale land acquisition (>1000 acres) and land development (e.g.,

sanitation system, power supply) for each integrated township, Expedite modernisation of existing international airports.” (pg. 19-20)⁵⁴

In 'High Tech Fantasies: Science Parks in society, science and space', Massey et al. (1992) highlight the socially divisive role of Science Parks. They conclude that Science Parks enhance social stratification issues, since they are designed to accommodate a more elite group of the workforce and unless Science Parks are designed to be integrated with the local economy both spatially and historically (in keeping with previous rounds of capital investments the area has seen) they can be instruments that further enhance uneven geographic development. The new developments in the peripheries of Kolkata and Hyderabad, drawing their design and economic logic from the basic Science Park model of development, exhibit similar formats of social separation and separation from the local economy, while catering to an elite group. By their sheer scale relative to the city, these peripheral developments, make the issues of social separation and economic dichotomy, a city level policy concern.

The IT- Real Estate Nexus

The Science Park model of development lies at the heart of the peripheral developments in both Kolkata and Hyderabad. In discussing the model of development associated with Science Parks, Massey et. al (1992) highlight that these Parks are ultimately 'property initiatives', “indeed much of the discussion and concern about Science Parks on behalf of their financial participants is centered far more on a logic of accumulation through real estate than any concerns about

54 Available at
http://www.mckinsey.com/locations/india/mckinseyonindia/pdf/nasscom_mckinsey_report_2005.pdf

production” (pg. 213). Massey et. al argue, that in these Parks the logic of accumulation through real estate supersedes all other logics. Introducing private participants as full- scale partners into the project of 'economic development' and 'urban development' in the peripheries of Kolkata and Hyderabad has meant that the discourse of 'development' associated with external investments and global competition has become dominated by the logic of financial viability, which in turn has given real estate development pride of place within the development paradigm. IT investments have played a strategic role in transforming the peripheries of both Kolkata and Hyderabad. Yet as the visual and spatial transformation of the cities' peripheries indicate, IT investments, simply acted as a stepping stone towards opening up the peripheries to external investments across a broad range of economic and real estate sectors. In both cities, real estate developers played a central role in transforming the peripheries, often acting as the first face of external investments. Even for IT specific developments, both state governments entered into negotiations with regional, national and international real estate developers to invest and build spaces that IT corporates may occupy.

The line between real estate development and economic development has been nearly erased in both cities, with real estate developers in both cities being treated at par with investors in sectors such as IT, Biotech, Electronics or Textiles. In both cities, tax breaks available for industrial promotion under spatial regimes such as Special Economic Zones are available to the developers of these zones, as well⁵⁵. A service sector such as the real estate sector has gained the same prominence and elicited the same type of state support as a production sector because in transitioning to a high- end service economy, the lines between the service and production

55 See 'Facilities and Incentives' at <http://www.sezindia.nic.in/about-fi.asp> Accessed 17th June 2011

sectors have been blurred. High end service sectors use the same discourse of investments and jobs, as production sectors do. The real estate sector (including construction and facilities management) in India is assessed to be the second largest employer (after agriculture)⁵⁶. In 2007, at the peak before the global recession (affected India) Meryl Lynch predicted that the Indian real estate sector would grow to a USD 90 billion business by 2015. The IT sector set up for service provision within a global supply chain, has played an important role in blurring the lines of what is 'production'. The value add associated with production, simply becomes the return on investment, when the financial lens is privileged. In the case of real estate, this has ultimately translated into the state machinery being used to subsidize, acquire and zone land in particular ways, so external real estate investments are guaranteed higher returns within an urban economy, normally at rates impossible without state subsidies.

For investors, the opening up of the cities' peripheries have spelt easier access to large quantities of urban lands, which has been supplemented by the legislative repeal of the Urban Land Ceiling Act, 1976, set in place to prevent urban land hoarding. As such new investors in both Kolkata and Hyderabad have proposed and been granted permission to engage in land- intensive projects, which had been historically and legislatively impossible before. As will be discussed in Chapter 5, land has become central to public- private negotiations over new investments and become the preferred currency to finance capital- intensive, long- gestation infrastructure projects. In Hyderabad, the profile of new projects, starting with the new airport over 5000 acres of land to the new business school, over 250 acres of land, reveal the external investor fascination with large land holdings and the 'padding' of land demand when new proposals have been made to the

56 See <http://www.livemint.com/2007/05/10192157/Financing-Real-Estate-in-India.html>

government. While Hyderabad has seen a proliferation of land hoarding in its peripheries, Kolkata, which has attracted the interest of real estate developers particularly, highlights the overlap between investment interest and real estate development, which has been institutionally normalized. The permission granted to DLF, a real estate developer, to develop a new township over 4840 acres of land in Dankuni, to Shapoorji Pallonji building a 150 acre 'mass housing' project at Rajarhat points to the upward scaling of the projects that real estate developers have been allowed to engage in. Both DLF and Shapoorji Pallonji started as developers of individual buildings in Delhi and Mumbai respectively, whereas their latest projects highlights how the liberalization regime has allowed them to scale up. Shapoorji Pallonji has a series of IT infocities planned around large metropolises (Delhi, Chennai, Kolkata, Pune among others) across the country ranging from 50 to 100 acres⁵⁷. In both Kolkata and Hyderabad state support and subsidy has played a key role in making gated, high- end real estate enclaves possible and encouraged volatile, speculative land markets on the peripheries of the two cities. The discourse of the real estate sector as an economic sector has gained material strength by how the real estate sector has successfully co-opted the twin mantras of investments and jobs to apply to the sector's growth post liberalization, how real estate financing is currently set up in India, and how the risk perception of India as an investment destination has been extended to apply to real estate investments. These are discussed in Chapter 5, where the new liberalized development regime that has emerged in the two cities are detailed.

57 See Shapoorji Pallonji website on their Infocities at <http://www.spinfocity.com/contents/about.htm>

Global Connections and Local Separations

New periurban developments implied a significant change in the logic of urban connectivity, in both Hyderabad and Kolkata. New periurban developments, focused on external investor interest and designed as independent economic hubs and self-contained townships, were designed to be less dependent on the main cities. Commercial (and residential) real estate pricing in the peripheries developed their own market, not tied to prices in the cities' downtown. Connectivity to the cities' downtown was less important, but connectivity to the airport was considered vital. Direct and high-speed connectivity to the cities' airports were prioritized in both Cyberabad and Rajarhat. These new roads made it possible to enter the city, conduct business in peripheries and leave, without interacting at length with the main city. The separation highlighted how investors, developers, corporates as well as government agencies associated with new investments, could be separated from the main city, making it possible for urban policy-makers to adopt very different approaches towards the new and old parts of Kolkata and Hyderabad.

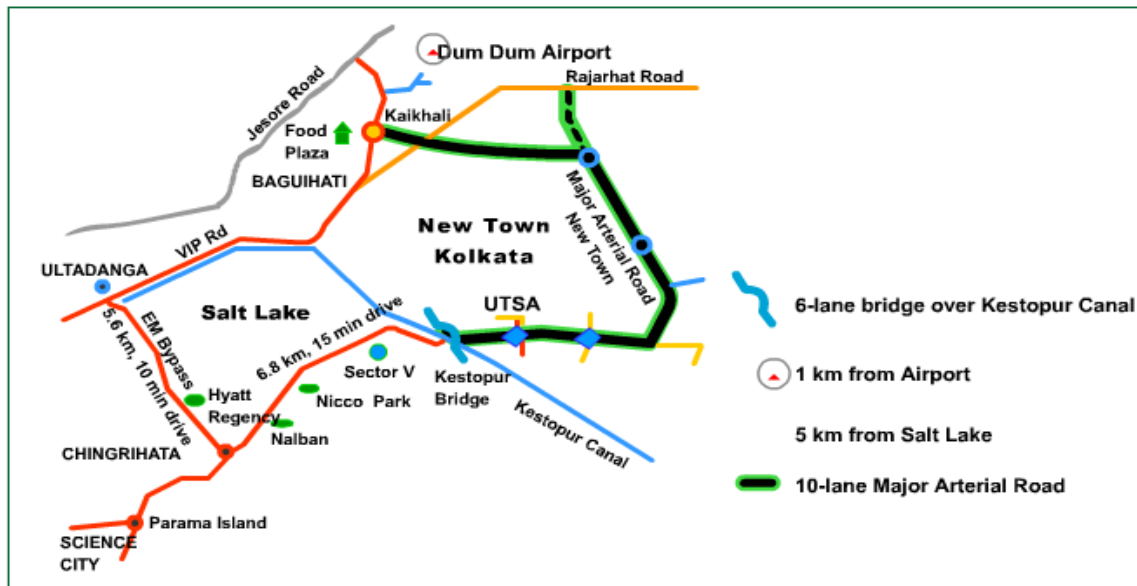


Illustration 6: New road from Rajarhat to the Airport (Source: HIDCO Available http://www.wbhidcoltd.com/The_New_Town/the_new_town.html Retrieved June 4 2011)

New Town was made accessible to/ from the city airport, through a new 10 lane arterial road (Illustration 6). Designed as a high- speed corridor, the new road significantly cut down travel time to the airport. The exclusivity of the new road is maintained by the lack of public transportation on the long route, which prevents a large proportion of the city's population from using the road. Only those with access to private transportation are able to access and use this high investment public infrastructure⁵⁸. It offers people traveling to and from New Town, the option to bypass interactions with the populations and activities of the main city, allowing the fiction of a new 'globalized' Kolkata to be better maintained in the imaginations of those connected to Kolkata only through Rajarhat. It highlights the emphasis on global connections and local separation. Despite the marketing, the actual road built is of poor quality and the

Comptroller and Auditor General (CAG)⁵⁹, the main public audit institution in India, in its 2005

58 Based on field research undertaken in 2009

59 See <http://www.cag.gov.in/>

report, highlighted that HIDCO had inflated payment made for the road, paying an additional INR 153 million (USD 3.1 million) to the contractor for a sub-standard road⁶⁰.



Illustration 7: New roads in Rajarhat (Photo SM 2009)



Illustration 8: New road to Cyberabad (Photo: SM 2009)

In 2005, after Naidu was voted out of power in 2004, YSR Reddy, the new Chief Minister (Congress I) initiated a new 159 km long, 8-lane road project called the Outer Ring Road (ORR), a high speed, limited access road, encircling the main city of Hyderabad, connecting Cyberabad to the west, the new airport at Shamshabad to the south, the Bio technology hub to the north west (Genome Valley), the secondary IT hub to the east (Raheja Mindspace), the International School of Business to the south (250 acres), as well as several SEZs, golf courses and high end real estate projects, such as Singapore Township and Malaysian Township, developed on the peripheries of the main city. The ORR opened up an area 2.5 times the size of the main city, on the urban periphery to external investments. Much of the land around the ORR has become part of a large speculative land market with frequent transactions and large consolidated holdings awaiting an economic and real estate boom in the city's periphery. Many

60 See <http://www.business-standard.com/india/news/rajarhat-road-payment-inflated-says-cag/256197/>

of the new 'developments' remain consolidated real estate holdings, with future proposals to build luxury housing, golf courses, speciality medical centers, etc. Many projects are not defined and remain open to future 'market definition' (based on interviews with local real estate brokers and field observations). Similar to Kolkata, the ORR project in Hyderabad also became the focus of corruption and nepotism charges, with Naidu taking Reddy to court and instituting an investigative inquiry into how decisions regarding road alignment were made and changed.

The ORR played a central role in creating new real estate space for external investors in Hyderabad's periphery. As per the ORR website⁶¹ “the Outer Ring Road should be viewed as road -cum- area development project since the aim is the development of well planned and and well connected Urban settlements around the Hyderabad Metropolitan area.” In highlighting the importance of the new corridor, the website elaborates that it “creates options for development of further satellite townships, provides quick access to the International Airport from Strategic parts of the city, connects various new urban nodes outside the city like Hi- Tech city Games village, IIIT, ISB, Hardware Park, Singapore Township Financial district etc.” The design of the ORR is even more technically advanced than its counterpart in Kolkata in ensuring that it remains a limited access, high speed corridor. As per the website⁶²:

“Once it has been decided to develop the route as an expressway all intersecting highways should be terminated, rerouted or provided with a grade separation. The proposed corridor is designed to be fully access controlled and limited access is to be provided at NH/SHI Major road crossings. 2-lane service roads designed to carry two

61 See http://www.hyderabadringroad.com/html/project_features.htm Accessed 17th June 2011

62 See: http://www.hyderabadringroad.com/html/project_features.htm Accessed 17th June 2011

way traffic, are proposed on both sides of the corridor. Low level underpasses are to be provided for connecting both the service roads at every 1-2 Km, where the terrain permits.”

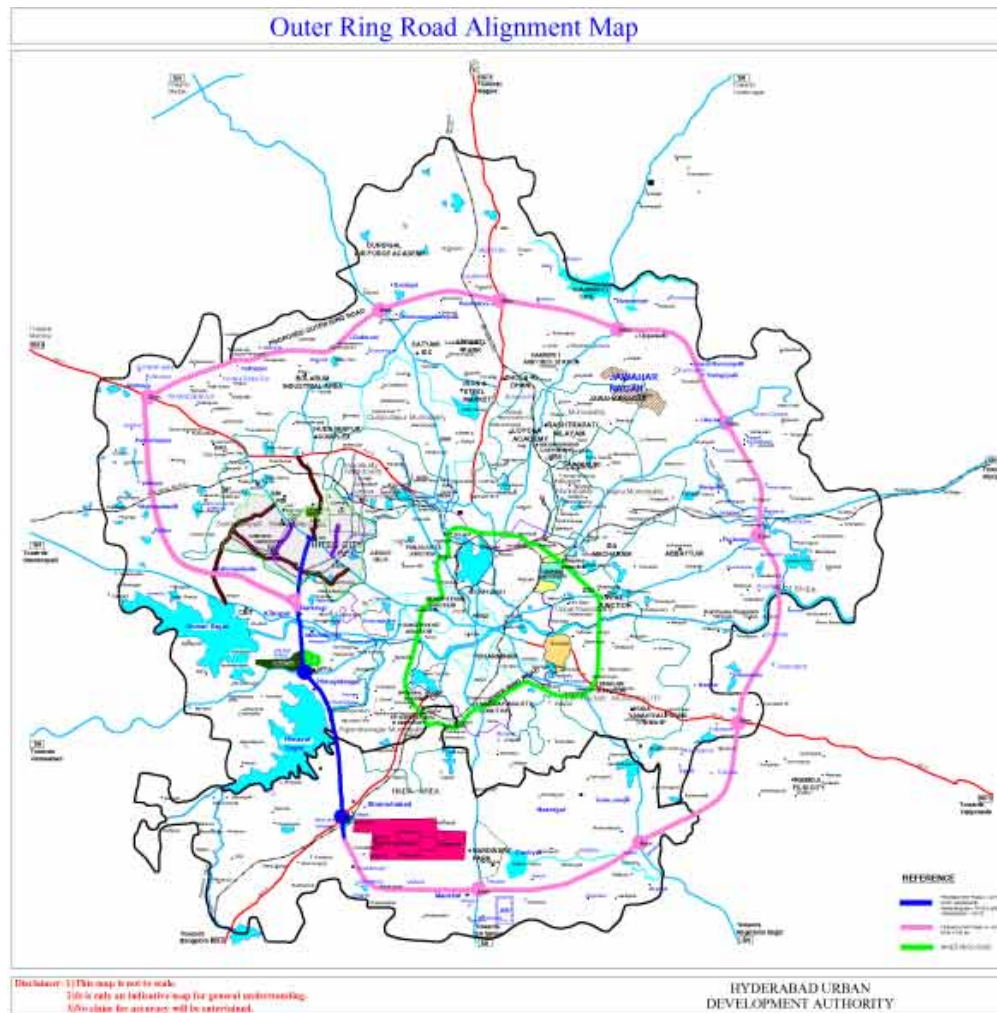


Illustration 9: ORR Alignment Map (Source: Hyderabad Urban Development Authority)

Similar to Kolkata, there is no public transportation on the ORR, although it has point connections to the city's public rail and bus systems. Currently, people working in peripheral

developments, especially those engaged in low- paying service capacities, are bussed in from the main city at specific times and from specific places, through a system of private chartered transportation⁶³. The system effectively controls movement of a service population. Free movement on the ORR is possible only with private transportation. Similar to Kolkata the ORR is designed to allow entry and exit into the city without interactions with the main city becoming necessary, while creating a seamless transportation corridor between various developments targeting external investments in the city. Also budgeted at INR 3000 crores (USD 600 million)⁶⁴ the ORR is a significant investment for public infrastructure, which is ultimately meant for privatized transportation.



Illustration 10: HiTech City at Cyberabad (Photo: SM 2009)



Illustration 11: ORR under construction (Photo: SM 2009)

It must be emphasized that the separation between old and new economy areas has sharply increased external investor interest in both cities and so in its particular way the strategy has been very successful. In Hyderabad, there has been a mushrooming of new projects all along the ORR. In Kolkata, in addition to Salt Lake Sector V and Rajarhat, external investment interest has led to

63 Based on field research in 2009

64 See http://www.hyderabadringroad.com/html/project_features.htm

new periurban projects to the west of the city in Howrah. The two major projects to the west are the West Howrah International Township project, over 390 acres of land, being developed by the Salim Group of Indonesia and the Dankuni Township, proposed over 4840 acres, with DLF, a Delhi- based real estate group as the developer ⁶⁵ (Urban Development Department GoWB 2009). Both projects have been made possible, with new investments into roads and a new bridge across the River Hooghly connecting the developments to the city airport.

The overall project of creating a new 'globalized' version of Kolkata and Hyderabad has spilled over onto the infrastructure priorities adopted in the two cities, particularly in creating new 'world- class' airports (Ramachandraiah and Srinivasan 2011) and high- profile transit systems. Many of the new infrastructure projects catering to the new 'globalized' users and investors in the cities' peripheries have built through public- private partnership, with the state government responsible for acquiring land (often using Eminent Domain), and the private partner using the land as collateral to raise funding and then being responsible for design, development and often the management of the infrastructure. As indicated before, these projects target a particular elite section of the cities' populations, despite their policy and budget priority. The use of land as collateral for project funding, also ensures that these infrastructure projects are cross-subsidized by high- value real estate, based on the 'highest and best use' to generate maximum financial returns. These financing strategies help institutionalize the economic and social divide within the cities.

65 See Urban Development Department GoWB. "Budget Speech of Minister, 2008-09," http://www.wburbandev.gov.in/html/bs89_ppp.html

In Hyderabad, a private consortium led by the GMR Group, in a joint venture with the state government (Andhra Pradesh Industrial Infrastructure Corporation) and the national government (Airports Authority of India) has developed a new international airport at Shamshabad, with a capacity of 40 mn passengers per annum. The airport is also set up to act as an international trans-shipment hub in the region⁶⁶ (Chacko 2007). Hyderabad's new international airport set the precedent for other airports around the country in both design⁶⁷ and project finance structuring. In Kolkata an Indo-Thai consortium was selected by the CPI(M) government in 2008, to build a new terminal, proposed to have a capacity of 20 mn passengers annually. The privatization of airports around the country was an important component of disinvestment in public sector enterprises, undertaken as a part of the liberalization of the Indian economy. The IT sector, especially NASSCOM, has been a voluble supporter of privatizing Indian airports in order to make them 'world class'.

Kolkata was the first city in India to have a rail based mass transit system. This system is now being extended to the eastern periphery of the city to Rajarhat, through external donor funding from the Japan International Cooperation Agency (JICA)⁶⁸. In Hyderabad a new rail based mass transit system has been designed to supersede the existing public bus and commuter rail system in the city. The high-profile project has become infamous for being linked to the Satyam scam, one of the biggest scams in the Indian IT industry. The transit project was bid out to Maytas, a development company and sister concern of Satyam Computers, one of the largest IT firms in

66 See interview with Grandhi, MD GHIAL: <http://www.thehindubusinessline.com/todays-paper/tp-logistics/article1619171.ece?ref=archive>

67 The new airport was modeled after Kuala Lumpur's international airport in both physical and concession design.

68 See http://www.jica.go.jp/english/news/press/2009/100331_01_02.html

India. Subsequently the chairman of Satyam Computers, Ramalinga Raju was discovered to have cooked the financial statements of Satyam Computers to the tune of \$1 billion over a period of several years⁶⁹, which not only led to the IT company coming in for public scrutiny but also led to the benching of the Maytas bid for the mass transit rail project. Subsequently the project was rebid to Larsen and Toubro, who developed HITECH city, Cyberabad's iconic and flagship IT project. The pricing structure of the new transit system has come in for widespread critique. No ceiling has been set on the fares the private partner can charge on the system during peak hours. Additionally the government has promised the private partner no 'competing' investments will be made in any other public transit system during the period of the concession agreement (totaling to over 67 years), which would effectively kill low cost mass transit options such as buses and commuter rails already operational. Also for the concession period any new public transit that introduced is required to charge 25% more than the privately built mass transit system (Ramachandraiah 2009)⁷⁰.

Development Narratives: Contradictions and Omissions

Indian cities are some of the most dense in the world. To put things in perspective, New York city has a density of approximately 5,245 persons per sq.mi. London has 13,075 persons per sq.mi., while Tokyo has 5,020 persons per sq.mi. In comparison, Kolkata has 64,000 persons per sq.mi.⁷¹, while Hyderabad's old city areas have densities of more than 53,000 persons per sq. mi. In the 'largest cities of the world by population density', compiled by the website 'City Mayors'

69 See <http://www.nytimes.com/2009/01/08/business/worldbusiness/08satyam.html>

70 More details of this case study is included in Chapter 5: Liberalized Development Regime

71 See references to Kolkata and Tokyo's urban densities in JICA's press release about the Kolkata East West Metro corridor at http://www.jica.go.jp/english/news/press/2009/100331_01_02.html Accessed 17th June 2011

(with 2007 data), Kolkata is the second most- dense city in the world (Mumbai is first), Hyderabad is 24th. London is ranked 43rd and New York, a distant 114th. The astronomical densities of Indian cities, makes for even their 'low- density' peripheries to have densities far above global benchmarks. Rajarhat, peripheral to the main city of Kolkata, had a density of about 19, 900 persons per sq.mi., in its municipal areas, before land acquisition (Samaddar 2011). This pattern is true for Hyderabad as well. Table 3 illustrates densities across the Hyderabad Urban Agglomeration.

<i>Table 3: Area, Population and growth in the Hyderabad urban agglomeration</i>					
Components of HUA	Area (sq.miles)	Popn. (1991)	Popn. (2001)	Growth rate 1991-01	Population Density (persons per sq. mile)
Municipal corporation of Hyderabad	66.7	3043896	3612427	18.7	53641
Surrounding municipalities	161.6	998135	1704813	70.8	10444
Secunderabad cantonment	15.5	171148	206102	20.4	13156
Osmania University	1.1	10153	11224	10.5	10097
Other Census Towns	19.2	95787	120386	25.7	6226
Outgrowths	36.44	44191	62028	40.4	1685
Total	300.45	4633310	5716980	31	18839

Source: Modified from Ramachandraiah and Prasad 2004 (p8) from Census of India, AP, Final Popn. Totals 1991, 2001, HUDA (2003).

Effectively, translating 'world city' claims, in the Indian context, have implicated large de-densification projects, in city peripheries in terms of both population and land uses, often associated with violence and illegal political maneuvering. Demands of NASSCOM, IT corporates and returning NRIs, have made the idea of 'globalizing' India synonymous with exclusive, low- density townships, exacerbating the density question in Indian metros. Yet,

official justifications that state agencies used in both Kolkata and Hyderabad for choosing periurban locations were premised on the claim of 'easier land availability' (Bhattacharya and Sanyal 2011). In both cities multiple villages and established periurban communities were displaced. 'Easier land availability' mainly translated as greater political opportunity to consolidate land, without engaging in legal standoffs. The official decision to locate in certain areas were also driven by their real estate potential (Kolkata) and patterns of existing land holding (Hyderabad).

In Kolkata, the decision to expand on the eastern periphery was driven by a combination of real estate and political factors. In Kolkata lateral development is constrained by the river on the west and wetlands on the east, so past planning efforts focused on expansions to the north and south. However, Kalyani, a planned township to the north of the city, failed spectacularly due to lack of real estate interest. In contrast, Bidhannagar developed to the east of the city on reclaimed land performed better (Chakravorty 2000). The real estate interest to reclaim wetlands to the east of the city for urban development increased, encouraged by the development of the Eastern Metropolitan Bypass, connecting to the airport in the north. The EM Bypass facilitated real estate interest to expand onto the wetlands to the east. Land all along the Bypass was reclaimed and developed. The EM Bypass corridor became the main corridor for new iconic developments in Kolkata; from upscale housing developments, to luxury hotels such as the Hyatt and the Oberoi and attractions such as Science City and Swabhoomi, catering to tourists. As such when the state Housing department wanted to develop a new township, an eastern location was already the most attractive option (Chakravorty 2000). IIT Kharagpur, one of the premier engineering colleges in

India, mandated to prepare the initial feasibility report for the new township at Rajarhat, highlighted the attractiveness of the city's eastern periphery and referred to the land as 'fallow' and available for development. The 'fallow' designation highlighted both urban bias and masked the economic and environmental role of populations and activities that were already present in the area⁷².



Illustration 12: Cooperative formed by those who lost land at Rajarhat (Photo: AH July 2009)

Cyberabad, Hyderabad's first designated IT hub, was developed over an area originally called Madhapur⁷³, in the Serilingampally district, over an area occupied by 17 villages (Sreoshi 2010). Though the official reasoning for selecting Cyberabad as an IT hub were not defined in any official document or statement, several reasons were forwarded in the media, ranging from land availability of land, to reasons such as proximity to Banjara Hills and Jubilee Hills, home to Hyderabad's richest and politically most powerful, as well as investment interests of those who

72 For a similar analysis regarding the environmental impact of rampant reclamation for city development in Mumbai, see Burte and Krishankutty (2006)

73 The site had already been designated for development, and one of the earlier plans for the site, was the development of a 'mandi', or a wholesale market for agricultural products, that would cater to the surrounding region and give farmers a location close to the main city for their business.

already owned property in the area, mostly existing residents of Banjara Hills and Jubilee Hills. Once the ORR project was approved, the location decision for Cyberabad was consolidated with a larger plan for periurban expansion and easy connectivity to the Shamshabad airport.

The displacements in the peripheries of Kolkata and Hyderabad have had different characters. In the case of Kolkata the area used to develop Rajarhat had a high settled density and a well-developed social economy based on intensive farming and fishing activities, which aided in sustaining the city's eastern wetlands and its drainage and waste recycling properties. Further, the produce fed Kolkata, especially its poorest populations. As such, the displacements at Rajarhat were associated with protracted public protests from existing populations⁷⁴, political maneuvering on part of the state and its agents and raised deep issues of ecological sustainability. The state acquired land for the New Town project using the Land Acquisition Act, 1896, which gives powers of Eminent Domain. In a deliberate public relations move, the managing Director of HIDCO, the main agency implementing the state Housing Department's plans for the New Town, made the state's case for promoting Rajarhat, in an article published in EPW, claiming that the development of the new 'world class sub- city, involved an 'alternative' planning process and that it was 'pro- poor' (Mitra 2002).

In Hyderabad, the process of real estate conversion of peripheral lands predated the new IT townships and the Outer Ring Road project by a couple of decades (Ramachandraiah and Bawa 2000, Kamat 2011). Due to the historic emigration of muslim elites from Hyderabad to Pakistan

74 Based on field interviews with affected villagers and Nilotpal Dutta, secretary of the Rajarhat Jami Bachao Committee (Rajarhat 'Save the land' Committee) in 2008 and 2009 as well as news reports: see http://www.telegraphindia.com/1090907/jsp/calcutta/story_11459120.jsp

post- Independence, the city located in the Telangana region, witnessed a power vacuum after the country became independent (Benichou 2000, Luther 2006). This vacuum was filled by elites from coastal Andhra, without roots in the Telangana region, but who took over the politics and economy in Hyderabad. As such, the real estate activities in the periphery of Hyderabad has been an ongoing process, led by coastal Andhra elites, trying to establish landed roots in the Telangana region (Upadhyaya 1988). The aridity of the Telangana region makes farming a low- return activity, easier to displace through financial compensation. As such the degree of public protests associated with the peripheral expansion of Hyderabad have been more muted than in Kolkata. However, in Hyderabad too, displacements have raised deep sustainability issues, as the periphery populations and activities have been traditional custodians of water resources sustained through water management in the arid region. Conversion of farms into real estate holdings have created drought- like conditions not only in the peripheries, but for the city as well (Ramachandraiah and Vedakumar 2007). Peripheral developments in Hyderabad have also caused widespread damage to the area's unique geological features, dated to be 2500 million years old⁷⁵. The effects of peripheral displacements, which occurred without adequate institutional acknowledgment or redress for the loss of livelihood associated with the land acquisition, are discussed in greater detail in Chapter 6.

Conclusions

Highlighting the importance of cities as spatial sites for state projects through history, Roy (2003, 485) argues “the imperial frontier is also an urban frontier. The city is a crucial site of imperialist

75 See Dundoo Sangeetha. 2010. “On the rocks.” The Hindu, Jun 2. Accessed Jun 17, 2011. <http://www.thehindu.com/life-and-style/metroplus/article444321.ece>

endeavors.” She goes on to quote Smith (1992), “urban restructuring is often a process of staking claim to the frontier, through practices of settler colonialism and gentrifying desires.” As such, Kolkata and Hyderabad, as capital cities, have not only been 'showcases' for state government actions and strategies, but also the spatial 'frontier' used by the state governments to articulate and materialize claims of investor 'friendliness'. The focus was on the high-profile IT sector, but the changes facilitated a broader liberalization project. Moreover the urban peripheries in both cities were the sites for large- scale spatial transformations, extensive land consolidation, change of land use and a speculative land transactions. New and extensive IT zones were created on the urban peripheries of both cities, which helped in defining the more 'globalized' nature of the periurban projects. It may be argued that the urban peripheries represent a further articulation of the 'frontier', claimed and transformed in light of new desires for capital accumulation.

New Spatiality

A new spatiality has emerged in both Kolkata and Hyderabad, as a result of the new developments on the peripheries. The new spatiality has been structurally embedded in the way the cities are seen and experienced, by infrastructure initiatives such as the new high speed road corridors between the peripheral developments and the city airports, which are not easily usable by the majority of the cities' populations because of cost barriers and lack of integration with public transportation systems. The developments of the peripheries stand apart from the rest of the city in terms of the quality of infrastructure they have access to and their profile of development. They also stand apart from the policy perspective because of the policy priority they have received from state governments and because they represent a different liberalized

model of development with the government partnering private players, including real estate developers in these peripheral developments. However the new spatiality has been put in place through extensive displacements of both populations and land uses in both cities.

Desires and Discourses of the New Spatiality

State government descriptions of peripheral sub-cities such as Rajarhat and Cyberabad as 'world class' reveal aspirations to create urban spaces that may be compared favorably by external investors to other acknowledged global nodes of international business such as Singapore and even New York and London. These aspirations are also revealed in glossy images and development names such as Malaysian Township and Singapore Township (in Hyderabad) and descriptions such as 'international living' (Elita Garden Vista at Rajarhat, Kolkata) used by private developers to market their particular developments within these sub- cities. The IT developments and spaces created within these sub- cities draw on global benchmarks for IT spaces, especially the images of Silicon Valley, shared by corporates with international business interests (Upadhya 2004), government officials traveling to these international locations to get MNC interest, non- resident Indians returning to invest (Chacko 2007), private sector developers seeking returns comparable to other destinations across India and Asia and private sector consultants such as McKinsey, advisor to state governments in both Andhra Pradesh and West Bengal, as well as NASSCOM, the main business association of IT corporates in India, working across borders with a vision of a global seamless marketplace as their primary point of ideological reference.

In keeping with the tradition of urban renewal schemes and urban beautification schemes that have been the fallback options for planners through the years (Mitra 1971), across the world, the current aspirations of state governments in Kolkata and Hyderabad to create 'global spaces', have relegated the spaces and economies of the main city to simply being 'unsanitary', 'poor' and 'chaotic'⁷⁶, making it necessary to create new cities whose spaces and economies, fit contemporary imaginations of 'world cities' better. These imaginations are both ahistoric, because they ignore previous cycles of investment and accumulation, and unsustainable because they ignore the systemic relationship between the city's economies and its populations.

The discourse of 'global' spaces reduces the concept of space to a visual stage, where geographic particularities have been muted. In his writing about the IT sector in India, Friedman (2005) has celebrated this geographic muting as the coming 'flat' world. Using Harvey's (2006) analysis of uneven geographic development, these 'global spaces', may be seen as attempts to reduce the 'frictions' to capital across space. While capital is interested in maximizing on advantages such as proximity to resources or markets, they are less inclined to deal with differences in infrastructure, cost and labor, which then becomes the state's role to try and diminish and subsidize, where their complete muting is not possible. These state attempts are a form of 'spatial fix', that prolong the potential for capital to generate returns, but which ultimately sets the stage for future crises within the system, as the potential for profits diminishes, with increasing competition from other

76 Mitchell (1998) in reference to homelessness in the American context says that state responses to the issue, "spatialize a problem that is not at root geographical, thereby deflecting attention from roots and causes of homelessness into questions about 'order' and 'civility' in public space." The preponderance of the informal sector in Indian mega-cities and their role in the urban economy differs from the forms and causes of homelessness in American cities, but the response of the state and the upper and middle classes in Indian mega-cities, to public occupation of public spaces, are tutored by Euro- American tradition of ordered and empty public spaces, and echo the same sentiments regarding the loss of 'order' and 'civility' that Mitchell refers to in his work.

locations and eventually the saturation of markets. Using Lefebvre's thesis in 'Production of Space' (1991), the imaginations to create 'global spaces', and state attempts to keep these spaces insulated from the rest of the city, reduces the concept of urban space to simply being a visual stage for external capital, which ignores its role as a complex ecosystem structuring and emerging from the relationship between the city and its populations. Subscribing to Friedman's view of the world, sets the stage for urban policy to remain unprepared for eventual conflicts over space and economy, as non- global populations and economies attempt to reclaim urban space. It also leaves cities unprepared for economic recessions that affect movements of global capital most rapidly, as crises in the capitalist system play out.

New Policy Approach

In both cities, a peri- urban location for the new IT cities, offer the only viable spatial option for state governments to translate their world city claims and visions into material reality⁷⁷. The 'old economy' areas of both Kolkata and Hyderabad present numerous political, legal and planning barriers to such sweeping spatial transformations. Lower population densities in peripheries, relative to the main city, financial possibility of buying out peripheral land uses, lower political mobilization among populations in the periphery, less likelihood for legal stand-offs regarding land ownership, as well as the dominant contemporary development paradigm that privileged urban use over peripheral and rural livelihoods, all play a role in treating the city's periphery as a blank hinterland for urban expansion. The periphery in both cities has been treated as a 'blank slate' to create a new Kolkata and a new Hyderabad and to remake the image of the two cities.

⁷⁷ Ong (1999: 215–7) argues: “I maintain that the nation-state—with its supposed monopoly over sovereignty — remains a key institution in structuring spatial order”. She goes on to argue that the state creates “graduated zones” with “differential deployment of state power”.



Illustration 13: Extent of land consolidated for Rajarhat New Town (Photo: SM July 2009)



Illustration 14: IT campuses at Gachibowli (Photo: SM 2009)

As discussed before, introducing private participants as full- scale partners into the project of 'economic development' and 'urban development' in the peripheries of the two cities, has meant that the discourse of 'development' associated with external investments and global competition has become dominated by the logic of financial viability, which in turn has given real estate development pride of place within the development paradigm. This financial logic has implications not only for the spaces and policies associated with the peripheries of the two cities, but has wider implications for how policy- makers understand 'development' and the processes associated with it, as applicable to all of Kolkata and Hyderabad. The spatial separation of the new economy and old economy areas, allows for policies for the so- called 'global' spaces of the city, dominated by real estate logic, to be separated and held in contrast to the 'non- global' spaces, which by extension become real estate 'sinks', places where the real estate potential of the land is not being capitalized optimally. In 'Revanchist City', Neil Smith highlights that one of the structural causes for gentrification is the systematic disinvestment in old city areas, which in

time, makes them prime spaces to be 'reclaimed' for property development. In the case of Kolkata and Hyderabad, the development on the peripheries has amplified this basic logic of real estate development in urban areas and valorized it by linking it to the discourses of 'globalization' and the processes of attracting external investments. The separation of the old and new economy areas, has allowed policy- makers to materialize a new business- friendly image through spatial interventions and governance changes in the new economy areas, and allowed them to put the new and old economy areas into separate spatial boxes. While the old economy areas have continued to draw a welfare approach in policy, the policies for new economy areas have focused on converting them into spatial sites for global capital, transcending their geographic neighborhoods.

Chapter 5: Liberalized Development Regime

Liberalization, which required state governments to claim greater agency in economic decentralization, compete for external investments and national development funds, made it imperative for state governments in both Andhra Pradesh and West Bengal to reinvent themselves and their relations to the private sector and external investors. The IT sector was wooed by both state governments, not only as a successful global sector of the future, but also because the sector's cache was useful in attracting further investment interest, particularly for real estate development. Facilitating the IT sector and the hypermodern parallel cities that emerged in the peripheries of Kolkata and Hyderabad (discussed in the previous chapter) through a separate and parallel development regime, played an important role in normalizing many aspects of neoliberal governance in the two cities, such as new norms and practices of governance, increased role of private sector actors, priority given to external investment-driven, high value real estate projects, etc.

New financing mechanisms that emerged as a part of the new development regime were defined by the fiscal conservatism of liberalization. Both state governments were under pressure to promote financial viable projects and pay attention to overall profitability of public investments. This set the stage for the use of real estate to cross- subsidize capital- intensive infrastructure projects, etc. Also priority was given to infrastructure such as roads, airports, etc. that would help bring external investment interest to the cities. The real estate sector gained from these new real estate based strategies. This chapter is an empirically grounded discussion of how the broader

changes in the national and state level political economy, resulted in a new development regime in Kolkata and Hyderabad. This chapter argues that ultimately strategies of fiscal conservatism have made the urban economies of Kolkata and Hyderabad more vulnerable to global capital, its crises and risk perceptions, as a result of a singular focus on external investments and growing dependence on high value real estate. Both state governments participated in embedding speculation and providing a safe harbor to speculative capital within the urban economies of Kolkata and Hyderabad, via their participation in public- private ventures, predicated on leveraging urban land for highest returns, often speculative.

The main arguments in this chapter include:

1. New norms of neoliberal governance were normalized in both Kolkata and Hyderabad through the establishment of a parallel, privatized planning regime for the urban peripheries. These parallel systems were characterized by state agencies circumventing/expediting statutory planning processes. Real estate market assessments and financial return analyses were used to define project profile and rate of development (often decisions made by private developers and consultants) and in both cities there was lack of public participation and a 'rule of experts' approach taken both by state agencies and their preferred private development partners.
2. Elite circumvention of statutory planning processes and exceptional regimes were used to facilitate high end gated enclaves and private land banks (sometimes through the use of Eminent Domain) with preferred private development partners in the peripheries, even as the discourse justifying these processes highlighted 'control of haphazard growth' and

curbing speculation. Expedited planning processes and 'rule of experts' were justified by discourses of efficiency. 'Transparency' was used to justify the presence of private developers in public- decision-making processes.

3. Real estate logics have come to dominate the development profile and rate of building activity in the peripheries, as a result of the state using land and land based incentives as the main leverage to attract investor interest, in both cities.
4. Preferred public-private relationships have effectively controlled who can produce urban space in the peripheries
5. Land has emerged as a relatively stable investment asset for investors, including corporates, which has reduced their inclination to build to fulfill end user demand over the short term.
6. The state's participation in embedding speculative behavior into periurban land markets have been facilitated by the focus on external investments and inter- regional competition for investments post-liberalization. These discourses and these state practices have embedded the cities into global and national capital accumulation strategies premised on high end real estate investment interest. Embedding such speculations has increased the economic vulnerability of the cities.
7. The two groups that stand to lose the most, as a result of this highly lucrative land and real estate industry, are situated at the two ends of the industry chain. The first group comprises of the displaced (self defined as 'land losers' in Kolkata), while the second group comprises of endusers that buy into these real estate fantasies, often with their life savings, only to discover that the infrastructure and high quality of life promised is not

actually materialized. It is not easy for end users to exit from their purchase, as there is very little liquidity in the market, dominated and saturated by large scale private developers with well-developed overseas marketing strategies. Thus the high real estate prices are mostly notional from a resale perspective for an enduser.

New Planning and Development Agencies in the Periphery

The previous chapter detailed the developments in the periphery of Kolkata and Hyderabad to facilitate external investments. The chapter also highlighted that these new periurban developments and their economies were separated from the main city's population and economies through exclusive and high end infrastructure services, which instituted a separate spatial regime in both cities. Enforcing a new spatial regime, especially an enclaved one, necessitated the creation of a parallel planning regime in the periurban areas of both cities. This planning regime comprised of new state agencies, new private sector development partners, new practices of plan-making and implementation, etc. The new authorities were set up to provide higher levels of service, be more responsive to consumer needs via e-governance and project a more 'global' image of the state to external investors and residents of these areas. In some cases, new authorities/ agencies included private development partners within the official executive machinery. In both cities, new planning regimes were used to undertake developments that may not have been possible within the existing planning framework.

Planning and Planning Exceptions in Kolkata's Periphery

When Sector V was designated an IT hub, in Kolkata, the state government anticipated that the new tenants (mostly IT corporates and their employees) of Sector V would have higher expectations regarding level of service, than was available, even within Bidhannagar, a high- end locality. To ensure that new tenants stayed, the state government removed Sector V from the jurisdiction of Bidhannagar Municipality and designated it a separate Industrial Township with its own authority, called Naba Diganta Industrial Township Authority (NDITA). As per the NDITA website⁷⁸:

“...since Sector-V was growing fast to become an Industrial Area and Hi-Tech Happening Point in the last decade and a half, it became an uphill task for the Bidhannagar Municipality to cope with the increasing demand for civic amenities necessary for such fast growing area. With this end in view, and for the sake of ensuring proper infrastructural development required for setting up of industries and maintenance thereof, Govt. of West Bengal considered it imperative to constitute an Industrial Township under Section 385A of the West Bengal Municipal Act, 1993. A notification was issued to this effect on 31st January 2006 and a new Township Authority called "Nabadiganta Industrial Township Authority" came into being.”

NDITA's responsibilities included providing basic municipal services (water, sewerage, solid waste management, street lighting and collecting property tax), issuing building permissions, beautification of streets (external consultants were hired to produce street architecture, such as

78 Accessed June 17, 2011. Available at:
http://egovernance.ndita.org/index.php?option=com_content&view=article&id=45&Itemid=58)

the ones in the Illustrations 15 and 16) and public spaces (through external contractors) and electronic surveillance of Sector V, through cameras and CCTV⁷⁹, with the help of a specially designated police force, at the “Electronic Complex Police Station”. NDITA is responsible for managing private service contractors and building core captive infrastructure for Sector V.

Unlike the rest of the city, Sector V municipal services include, mechanical cleaning of streets and private sector managed waste management services. Also, unlike other similar authorities in Kolkata, NDITA offers an 'online help desk' to handle complaints regarding service disruptions etc. The NDITA is an example of how the state has tried to remake itself to be more 'global' in its image, accessibility and service within the limits of the new sub- cities.



*Illustration 15: Sector V beautification by external consultant
(Photo AH 2009)*



*Illustration 16: Sector V beautification by external consultant
(Photo SM 2009)*

The new limited liability government company, HIDCO, set up for plan making and implementation in Rajarhat, exemplifies the exceptional regimes that were normalized, as the state government focused on external investors. Rajarhat New Town project was the brain- child of Goutam Deb, the state Housing Minister, who established a parallel planning regime

⁷⁹ Accessed June 17, 2011. See the details on NDITA website: http://egovernance.ndita.org/index.php?option=com_content&view=article&id=84&Itemid=102

comprising of a new set of authorities and agencies, under the Housing ministry. Typically city Master Plans and their implementation are the responsibility of Urban Development Authorities, under the jurisdiction of the Urban Development ministry. In Kolkata, however the Kolkata Metropolitan Development Authority (KMDA) was bypassed. In 1999, the West Bengal Housing Infrastructure Development Corporation Ltd. (HIDCO), a new 'government company' was set up under the state Housing Ministry (with Goutam Deb as Chairman). As the official website states⁸⁰,

“this Corporation has a state- wide mandate, its immediate focus area is the development of a planned town near the city of Kolkata towards its north- eastern fringe. This Corporation has been given wide powers to acquire and sell land, for different purposes, develop the entire range of infrastructure services, construct housing & commercial premises and also to maintain the New Town till such time a regular body is established for the delivery of such services.”

The typical master planning process in India includes a public notification of plans prepared by a development authority (or as per recent practice- prepared by a private consultant recruited by the development authority) followed by a period of public scrutiny of the plans. The public is allowed to file complaints/ modifications and the development authority is legally required to address these suggestions and modifications. The process is archaic and offers a very small window of opportunity for public participation, yet it is better than nothing. In Goa, this relatively archaic window of opportunity was used by citizen groups to mobilize public voice against government plans to sell large sections of the coastline to private developers, based on a

80 Accessed Jun 17, 2011. Available at: http://www.wbhidcoltd.com/About_HIDCO/about_hidco.html

plan was prepared by a private consultant. The citizen mobilization was successful in inundating the government with complaints, detailing flaws in the base data and maps used. Ultimately the plan was rejected for being inadequate and faulty. This set the stage for one of the most successful grassroots planning efforts in India to remake the city plan through public participation, which focused on saving the coastline from rampant building and privatization⁸¹. The crucial first step was mobilizing public opinion against the plan prepared by a private consultant and using the institutional window of opportunity provided by the master planning process.

HIDCO was required to produce an Outline Development Plan. HIDCO prepared a project report with associated landuse plans, but did not make these available in the public domain and moreover changed it frequently on an ad hoc basis. The CAG audit report (2007: 17) critiques HIDCO's approach:

“The State Government notified⁸² (August/ September 1999) the Company as the development authority for NTP. The Company was to prepare and submit to the State Government an ‘Outline Development Plan’ and a ‘Detailed Development Plan’ of the area within two to three years of notification. However, even after a lapse of seven years (March 2007), the Company had not submitted the plans. At the ARCPSE meeting, the Company stated (August 2007) that it was not aware of the requirement.” (Paragraph 2.1.9)

81 Based on interviews with the Goa Foundation, a leading NGO, involved with the process and planning documents made available by them during field research in 2009

82 Under Sections 9, 11, 31& 32 of The West Bengal Town and Country (Planning and Development) Act, 1979

and

“Even after eight years’ of existence, West Bengal Housing Infrastructure Development Corporation Limited (Company) had yet to acquire and develop 3,075 hectares of land in three phases due to non-preparation of detailed project reports, annual work plans and absence of coordination between land acquisition and development, leading to time and cost overrun of 48 months and Rs 78.76 crore respectively.” (Paragraphs 2.1.2, 2.1.10 & 2.1.13)

As a government entity, HIDCO was able to continue with the implementation process, even though they did not follow statutory planning processes. In Rajarhat, the focus remained on attracting private partners, rather than ensuring public participation. In 2009, a new authority called the Kolkata New Town Development Authority, was constituted, also under the Housing Ministry, to take over from HIDCO. The new authority resembles a traditional development authority more closely. Even though HIDCO played a central role in the spatial and political transformation of Kolkata's periphery, minimal institutional proof remains of the extent and depth of its powers, with the establishment of the new authority and after the CPI(M) lost state elections in 2011. Despite the promises of the state government regarding 'world class' facilities at New Town- Rajarhat, the area has remained embroiled in a series of controversies, including, high land prices set by HIDCO⁸³, lack of infrastructure facilities⁸⁴, preferential land allotments

83 Chakroborti Suman 2009, “HIDCO lowers price for land for IT majors,” The Times of India Kolkata, Nov 12. Accessed Jun 17, 2011. http://articles.timesofindia.indiatimes.com/2009-11-12/kolkata/28093041_1_land-offer-offer-price-hidco-official

84 Chakroborti Suman. 2008. “New Town dreams shattered,” The Times of India Kolkata, Aug 10. Accessed Jun 17, 2011 http://articles.timesofindia.indiatimes.com/2008-08-10/kolkata/27915999_1_civic-amenities-hidco-authorities-showpiece-township

authorized directly by Deb under a special 'chairman's quota'⁸⁵, slow rate of development⁸⁶, flooding of the area during monsoons⁸⁷, as well as controversies around methods adopted by HIDCO for land acquisition in the area⁸⁸. As the CAG audit report (2007: 17) highlights about Rajarhat:

“The (West Bengal Housing Infrastructure Development Corporation Limited) Company had not adopted appropriate rates for different items of work relating to land development through mechanically operated activities, leading to additional expenditure of Rs 57.66 crore. Further, the Company paid/ allowed Rs 40.10 crore to various contractors on account of inadmissible items and doubtful works”. (Paragraphs 2.1.19 to 2.1.22 & 2.1.24 to 2.1.26)

and

“Enhancement of specifications for construction of internal roads as well as items of work not required, without any justification, resulted in incurring of additional expenditure of Rs 12.16 crore on construction of roads”. (*Paragraph 2.1.29*)

The Bhangar- Rajarhat Development Authority (BRADA), another agency was constituted, with jurisdiction over 6000- 7000 hectares of land adjacent to the Rajarhat New Town in Kolkata, also

85 See <http://gurgaonscoop.posterous.com/tata-housing-under-cag-comptroller-auditor-ge>, http://www.telegraphindia.com/1110602/jsp/calcutta/story_14060889.jsp, http://www.telegraphindia.com/1110601/jsp/frontpage/story_14056491.jsp and <http://www.business-standard.com/india/news/rajarhat-allotments-come-outcloset/419111/>

86 “New town a concrete desert.” The Times of India Kolkata, Jul 20, 2009. Accessed Jun 17, 2011. http://articles.timesofindia.indiatimes.com/2009-07-20/kolkata/28154005_1_showpiece-township-rajarhat-new-town-hidco

87 “Buddha's dream town is an island.” The Times of India Kolkata, Jul 9, 2007. Accessed Jun 17, 2011. http://articles.timesofindia.indiatimes.com/2007-07-09/kolkata/27966161_1_drainage-system-action-area-ii-amalendu-bhattacharya

88 “New Town is new land battlefield for Mamata,” The Times of India Kolkata, Nov 14 2010. Accessed Jun 17, 2011. http://articles.timesofindia.indiatimes.com/2010-11-14/kolkata/28253377_1_rajarhat-land-acquisition-mamata

under the aegis of the Housing Ministry. BRADA was commissioned to register and sanction land transactions and give permissions to new developments in the area adjacent to the New Town, based on a broad landuse plan. The BRADA area was designated in response to large-scale land speculation in the vicinity of the New Town and also as a compromise of sorts in response to complaints against high land prices in the New Town area, set by HIDCO. BRADA did not set land prices in the area⁸⁹ under its jurisdiction and it was implied that the laissez faire approach yielded fair market price to both sellers and buyers in the area. However the presence of BRADA did little to curb speculation⁹⁰, rather its presence signaled government support for external investments in the area, which sustained a speculative land market. When BRADA was scrapped after CPI(M) lost the state elections, the speculative land market in the BRADA's area⁹¹ collapsed. In a later section, the effects of BRADA on land speculation in the area has been discussed further. Planning regimes in Rajarhat and New Town highlight the reification of a 'rule of experts', despite increased discourse regarding greater transparency in public projects/ processes and 'good governance'. It also highlights 'privatization' of the development logic, with private partners in development and plan- making by private consultants.

Planning and Planning Exceptions in Hyderabad's Peripheries

In Hyderabad, the Hyderabad Urban Development Authority (HUDA) is the main development authority and the Municipal Corporation of Hyderabad (MCH) is the city's municipal body.

During Naidu's rule, the HUDA was officially bypassed for most of the larger urban extensions

89 See http://articles.timesofindia.indiatimes.com/2009-11-01/kolkata/28103603_1_hidco-land-prices-brada

90 See http://articles.timesofindia.indiatimes.com/2007-12-23/kolkata/27988650_1_hidco-land-prices-land-acquisition-act

91 See http://www.thestatesman.net/index.php?option=com_content&view=article&id=371691&catid=35&show=archive&year=2011&month=6&day=2&Itemid=66

that were planned around the city and new development authorities such as the Cyberabad Development Authority and the Hyderabad Airport Development Authority were established.

One of the critical forms of checks and balances within the Indian planning system is the relationship between the city's development authority and its municipal body. Development Authorities are planning and development agencies, constituted under the Town and Country Planning Act, under the jurisdiction of the state urban development ministry, with the state's Chief Minister acting as the ex- officio Chairman. Development Authority personnel are appointed, rather than elected to their posts. The Authority makes city plans and undertakes new housing and infrastructure developments, urban extensions etc. The municipal body, on the other hand, is elected with the city mayor as its chief. The municipal body is responsible for the maintenance and sanitation of the city's built up urban areas. The Municipal body finances itself through user fees and property taxes, while the Development Authority finances its activities through development returns from new projects. The traditional conflict between the two bodies has been financial. Typically Development Authorities are cash- rich, while municipal bodies are cash strapped. Typically the Development Authority transfers a portion of their development profits to the municipal body, from time to time, especially when they hand over a newly developed area to the municipal body for maintenance, but these transfers are highly politicized and rare. However, the two agencies statutorily need each other, and this maintains an ongoing conversation between them. As the elected body, the municipality has greater accountability to the city and it has to approve city development and new urban extension plans, before the Development Authority can implement them.

In Hyderabad, as in Kolkata, the 'new' authorities were often only on paper. For example the Cyberabad Development Authority was manned by personnel from the HUDA. However, in creating these new agencies the power equation between the development authority and the local municipal bodies were essentially changed. The municipalities with jurisdiction in the new areas were typically much smaller municipal bodies or even village gram panchayats, that did not have the same clout or history to deal with politically seasoned personnel drawn from HUDA, who had the power of the Chief Minister to back up their plans. Typically these municipalities should have been integrated with the MCH or been institutionally allowed to coordinate with the MCH to negotiate with HUDA. However the integration of these smaller municipalities with MCH was not actualized until 2007. As a result, HUDA, through the aegis of a 'new' development authority went full speed forward with their plans without the typical checks and balances associated with negotiations between the development authority and the municipal authority. The populations affected or displaced from the locations planned for urban extensions, that could possibly have had a say through their elected officials in the local municipal body were effectively bypassed in the process. Recently all the new and old development authorities, including the HUDA, the CDA, the HADA and and Buddha Poornima Project Authority (BPPA) were consolidated into the HMDA, the Hyderabad Metropolitan Development Authority. Simultaneously, the Greater Hyderabad Metropolitan Area was designated, which increased the city's metropolitan area to 7,100 sq.kms⁹². The jurisdictional area for the new Authority includes the new peripheral areas made accessible by the new Outer Ring Road (ORR) project. A separate development authority was constituted for the implementation of the ORR project also.

92 See HMDA website at <http://www.hmda.gov.in/>



Illustration 17: IT Park built by DLF, a developer at Gachibowli, Hyderabad (Photo: SM 2009)



Illustration 18: McMansions at Gachibowli, Hyderabad (Photo: SM 2009)

Private Actors and Public- Private Partnerships

The new development regime in both Kolkata and Hyderabad meant that non- state actors, including private land and real estate developers, private consulting advisors, private infrastructure developers, etc. played a bigger role in planning, as well as new land and infrastructure development interventions in both cities. Moreover the state itself adopted the processes, practices and priorities of the private sector as they worked in partnership with private developers and wooed external investors, facilitating an overall privatization of planning. Naidu of Andhra Pradesh played a key role in pioneering and legitimizing the privatization of development, through his marketing of Hyderabad as an investment destination, using 'vision' documents prepared by private consultants as blueprints for state policy⁹³, establishing direct relationships with international donor and loan agencies, such as the World Bank, and

⁹³ In both states, McKinsey, the management consulting firm played a key role as a policy advisor. In Andhra Pradesh they drew up the Vision 2020 document, a blueprint for structurally adjusting the state's economy and setting a 20- year development agenda, which was largely adopted. McKinsey made similar recommendations to the CPI(M) in West Bengal (largely ignored), with regard to contract farming and structural adjustments in the state's agricultural sector. McKinsey advised both state governments with regard to the IT sector, which was accepted and followed by both state governments.

establishing new norms for collaborating and facilitating private- sector investors. His strategies became the benchmark for state governments around the country, including the CPI(M) in West Bengal. Bhattacharya and the CPI(M) in Kolkata adopted Naidu's lead in Hyderabad and Andhra Pradesh in negotiating, deal- making and marketing techniques to attract investors from the private sector (including road shows, participating in and organizing domestic and foreign investor meets). In both cities public- private partnerships emerged as an institutional tool to make the collaborations with the private sector official and to provide legal framework for various forms of state guarantees to preferential private partners. The different state guarantees responded to the different challenges in the two cities to acquire and consolidate land and use it for capital accumulation⁹⁴. These strategies are particularly interesting in the case of Hyderabad, where the state focused on helping preferred private development partners gain competitive control over land supply through preferential access to large land banks (in excess of actual demand in the market, thus facilitating land monopolies) and use it to leverage capital.

The PPP projects in Hyderabad are examples of how land is increasingly being used as a financing strategy in large capital intensive projects, post- liberalization in India. Infrastructure projects are increasingly bundled with large land banks, acquired and consolidated by the state partner (often using Eminent Domain), and made available to the private partner as a sweetener. The developer is allowed to develop the land according to the principles of 'highest and best' use, which often translates into high end real estate projects and/ or exclusive projects such as Special

⁹⁴ In Kolkata, public- private partnerships were predicated on the state using Eminent Domain to acquire and consolidate land and deal with any political fallouts associated with the acquisition, since periurban land was already under intensive agricultural use and consolidating land had to contend with public protests and alternate claims on the land. In Kolkata access to consolidated land was key to facilitating new capital accumulation strategies. In contrast, in Hyderabad, the state government did not revert to the use of Eminent Domain as much, because land was relatively easier to buy out.

Economic Zones and IT Parks, which offer higher returns and greater leverage to the profile of the project. The land and real estate returns are used to cross-subsidize capital costs of infrastructure and cut down the long gestation period for these projects to break even. The real estate component of the project also allows the private partner to leverage institutional financing, through a variety of debt and equity options⁹⁵. Many of the new high profile infrastructure projects, especially those related to accessibility, such as airport privatizations, new highway projects, railway modernizations, new urban subway systems etc. implemented in India post-liberalization have been based on these model of land- based cross- subsidization strategies. These public- private partnership models put the government in the role of both facilitator, since large- scale land consolidation by private parties faces legislative barriers in India and guarantor of private profits, since the land acts as the main collateral for project financing. Two case studies from Hyderabad are discussed in detail. The case studies highlight the various forms of state guarantees and legal exceptions put in place so land can become a resource for capital leverage and facilitate private profits.

Case Study 1: Shamshabad International Airport: Hyderabad

Hyderabad's new international airport at Shamshabad, 30 kms from the main city, is one of India's first greenfield airports attempted through Public Private Partnership. In trying to transform Hyderabad into an IT hub, Naidu pitched Hyderabad into a direct competition with Bangalore, the closest and the already successful IT hub in the region. Hyderabad's airport was

⁹⁵ The first large- scale implementation of this PPP model was used to build a high speed infrastructure corridor (including a high speed road along with cable lines embedded within the road's right-of-way) between Bangalore and Mysore, two important metros in Karnataka, with the state government partnering with the private group Nandi Infrastructure Corridor Enterprises. The project also included building a circular road around Bangalore, a precursor to Hyderabad's ORR project (India Infrastructure Report 2009).

built in direct competition to Bangalore's new international airport, exemplifying the degree to which regional competition has come to shape state decisions, post-liberalization. 5,000 acres of land, designated as a Special Economic Zone, was provided by the AP state government to the private consortium⁹⁶ developing the airport. The state government gave their private partner leeway to make decisions on issues typically within the public realm. So for example, the consortium was allowed ambitious projections in their airport design, building it for a capacity more than four times the traffic handled by the city in 2008⁹⁷ – the height of the economic boom in Hyderabad. The consortium was made part of the Hyderabad Airport Development Authority, a new planning authority set up to oversee the development of the areas surrounding the airport SEZ (Sreoshi 2010), so they could safeguard their development interests against competing developers in the surrounding areas. The environmental clearance of the project was expedited despite serious questions, since 40% of the water recharging zone of Himayatsagar lake was covered by the area designated for the airport. The Himayatsagar lake is one of the primary sources of water supply for the city (Ramachandraiah and Prasad 2004).

Shamshabad's proposed capacity of 40 million passengers per annum is well above current traffic levels. In 2010-11 the Shamshabad airport handled a passenger traffic of 7.6 million passengers⁹⁸. When the older Begumpet airport was closed in 2008, it was handling 7 million passengers annually. There were fears that the Begumpet airport would not be able to handle the

96 There were two private partners in the consortium: GMR Group (63% share), a regional industrial group from Andhra Pradesh and the Malaysia Airports Holding Berhad (11% share), operators and managers of the Kuala Lumpur International Airport Limited. The private partners formed a joint venture company GMR Hyderabad International Airport Limited (GHIAL), in partnership with the government of India, through the Airports Authority of India (13% share) and the government of AP (13% share). Details are from the GHIAL website. See: <http://www.hyderabad.aero/our-company.aspx>

97 See the 'Fact Sheet' on the GHIAL website: <http://www.hyderabad.aero/fact-sheet.aspx>

98 GHIAL website. See: <http://www.hyderabad.aero/fact-sheet.aspx>

increased traffic especially as traffic surged by 45% in 2005-2006. However, the 45% increase in traffic at the Begumpet airport did not continue and the new airport actually lost traffic in the first three years after Begumpet was shut down⁹⁹. The traffic numbers at Shamshabad have increased since 2008 and in 2011, they are comparable to Begumpet's numbers in 2008. The GHIAL, supported by the AP state government engaged in significant lobbying to promote Shamshabad airport as an international passenger, cargo and transshipment hub similar to Singapore and Dubai¹⁰⁰ (Chacko 2007), in part to fulfill the grand visions already put in place.

The airport project received state support to side-step crucial environmental externalities associated with its location within the catchment zone of one of Hyderabad's primary water supply sources, Himayatsagar lake. Based on the research of Ramachandraiah and Prasad on water bodies in and around Hyderabad, presented in their paper 'Impact of Urban Growth on Water Bodies: The Case of Hyderabad' (2004), 40% of the land (2000 acres) assigned to the GHIAL for the new airport is part of Himayatsagar lake's catchment zone. The project received clearance from the AP Pollution Control Board, despite protests from several environmental groups across the city, who demanded the project be located beyond the 10 km radius of the lake. Following APCB's decision, several environmental groups filed a Public Interest Litigation in the AP High Court. Ramachandraiah and Prasad (2004) highlight how the High Court changed its position on the topic,

99 See traffic details at: <http://www.hyderabad.aero/fact-sheet.aspx>. Also see news reports: <http://www.hindu.com/2008/09/07/stories/2008090757600100.htm>

100 See interview with Grandhi, MD GHIAL: <http://www.thehindubusinessline.com/todays-paper/tp-logistics/article1619171.ece?ref=archive>

“The High Court noted, 'we have no doubt whatsoever in our mind to prima facie conclude that neither the A.P. Pollution Control Board nor the Ministry of Environment and Forests, Union of India adverted themselves as to the effect of permitting' the important structures within the prohibited area and gave an interim stay on the project on 1 April 2003. In the final order, however, the High Court dismissed the petition on the ground that 'the project has been cleared after considering several aspects elaborately by Expert Bodies at different levels' (Andhra Pradesh High Court, Hyderabad, writ petition no. 1297 of 2003, Interim Order dated 1 April 2003 and Final Order dated 24 November 2003)”.

The designation of the 5000 acres for the Shamshabad airport as a Special Economic Zone is also worth noting. In her analysis of the proliferation of such zones across Asia, Ong typifies them as 'zones of exception', where the state, partly rescinds its sovereignty and territorial rights, in order to participate in global capitalist flows and allows citizen- state relationships to be modified so certain groups get privileged treatment over others. The proliferation of Special Economic Zones, in post- liberalized India, especially around Hyderabad are a testimony to this variety of negotiation between the state and the private sector. A total of 28 Special Economic Zones (SEZs) were notified in the Greater Hyderabad region as of October 2007, of which 24 are for IT/ITES¹⁰¹. Across India 60% of SEZs are for the IT/ ITES sector, again highlighting the hegemony of the sector in the push towards facilitating global flows. However the designation of a public urban infrastructure such as an airport, as an SEZ, expands on the traditional conception

¹⁰¹See HVS Research 2008 Available at: <http://www.hvs.com/article/3185/metamorphosis-of-hyderabad-india/> (HVS is an international consultancy).

and use of the SEZ spatial regime and essentially expands on the terms of the compromise that a state is willing to make in order to facilitate private investments.

Case Study 2: Metro System: Hyderabad

In Hyderabad, a brand new Metro rail (MRTS) system was proposed (another infrastructure project launched in direct competition to Bangalore). The phase 1 of the project, covering a track length of 71 kms and a projected cost of INR 121.32 billion was bid out to Maytas, a subsidiary of Satyam Industries, one of the biggest IT companies in India, established by Satyam to engage in real estate developments and urban infrastructure projects . The concession was designed as a BOT (Build Operate Transfer). over 35 years, extendable by another 25 years. The government (GoI and GoAP) agreed to take on 40% of the project cost and set up a Special Purpose Vehicle (SPV) that would be responsible for “acquisition of the required lands, identification of obstacles, R&R, obtaining right of way for the three corridors, etc.”. Maytas was offered land, real estate and public subsidies to sweeten the MRTS deal. As per the bid document,

“To enhance the financial viability and bankability of the project, the Concessionaire will be allowed to undertake real estate development through commercial exploitation of air space over the lands provided for creation of project facilities such as depots and parking and circulation areas at select stations. The real estate development may be undertaken by the Concessionaire above the ground floor at the three depots at Miyapur (99 acres), Nagole (96 acres) and Falaknuma (17 acres) and above the parking and circulation areas at 34 select stations (57 acres at Category II and Category III Stations) in accordance with

the provisions of the Concession Agreement, Applicable Laws and Good Industry Practice.

While the scope and details of the real estate development will be furnished to the bidders during the bid process, the cumulative built up area to be utilized for real estate development is likely to be about 18.5 million sq.ft. (about 12.5 million sq.ft. over the 3 depots and 6 million sq.ft. at the 34 select stations). The ownership of the land shall always remain with GoAP. The built up area can only be used for rentals during the Concession Period and it will have to be handed over to GoAP at the end of the Concession Period in accordance with the provisions of the Concession Agreement.”¹⁰²

Maytas refused the Viability Gap Funding, and offering the state government a 'royalty' of Rs 30,311 crore, amounting to Rs 1,250 crore in NPV terms (based on a prime lending rate of 13.5% applicable on the date of financial bidding). While the state government celebrated that Hyderabad would get a metro system 'for free' , and received praise from the National Planning Commission for actuating the first case of 'negative subsidy' in the country (Ramachandraiah 2009), the terms of the 'long term concession' and the bidding process itself, drew heavy criticism from the prime consultant recruited for the project (E. Sreedharan of DMRC, responsible for the design and implementation of the highly successful metro project in Delhi, who withdrew from the Hyderabad Metro project), as well as from scholars and activists in Hyderabad. Some of the main critiques were:

¹⁰²From the Information Memorandum for the project available at <http://hyderabadmetrorail.in/images/pdfs/information-memorandum.pdf>

1. Use of real estate rather than VGF (Viability Gap Funding) to sweeten the deal for the successful bidder that opened up large parts of Hyderabad (including densely built up parts and heritage precincts) to the real estate interests of a private corporate for a period between 60 to 67 years, within a monopoly simulated by government guarantee and protection
2. Lack of transparency in the bid process and indications that both the state and central government were aware of which consortium was the successful bidder even before the bids were opened. This 'awareness' translated into the proposed alignment of the Metro, and the terms and conditions of the Concession agreement, being designed to be more favorable to the Maytas consortium
3. The alignment of the track (in the bidding documents) designed to pass close to Maytas' existing extensive private real estate holdings in the city
4. The 'Competing Facility' clause, constituting a public guarantee that no public or private transportation system that competed with the concessionaire's monopoly on the city's public transportation system, would be introduced until the 25th year of the concession. Effectively, even the government bus fleet run by AP State Road Transport Corporation, could not be upgraded or increased on 'competing routes' for the next 25 years. If a new competing system is introduced after the 25th year the concessionnaire would receive an extension on the concession period and the new competing service would have to charge fares, at least 25% higher than the fares on the metro rail

5. The public guarantee to the concessionnaire extended to pricing as well, with no ceiling being placed on the fares that the concessionaire could charge on the metro system during peak hours
6. The 'defacement' of 27 of 137 listed heritage precincts in the city, with another 44 buildings/ sites with potential heritage value, to be affected by the rail alignment.

Ramachandraiah (2009) summarizes the overall process, in terms of “the inevitability of the metro rail and providing “world class” transport to public in Hyderabad, while simultaneously weakening the existing public transport system... carefully orchestrated in the last few years” (pg. 40). He further argues that the structuring of the project made the Hyderabad metro project much more a real estate project than an infrastructure project (pg. 39). Referencing Hackworth (2007), he concludes “Inequitable real estate development in cities (of the kind Maytas and several other corporate real estate companies are engaged in) is “the knife-edge of neoliberal urbanism” for which PPPs represent one of the foundations of governance at local level” (pg. 40).

Subsequently, a large scam at Satyam Industries, that was revealed when Satyam tried to subsume Maytas, to obfuscate the cooked books of Satyam, not only shut Satyam down but also brought public attention to the hands-off status that Satyam had enjoyed as an IT company and the huge real estate ventures that it had entered, their actions shielded from public scrutiny and the inroads they had made into private deals with the GoAP (it was lobbying GoAP to make 2500 acres of land available at Machilipatnam port). There were also questions about Maytas' role

in political deal- making. However nothing was made public. With the Satyam scam, Hyderabad's metro project was shelved. IL&FS took over the management of Maytas¹⁰³ and has attempted to clean up the company's act (with a short reversal when it tried to sell 20% of the Maytas stake to the Saudi BinLadin group, a proposal that was vetoed by the India's Company Law Board¹⁰⁴). In a new round of bids the project has been given to Larsen and Toubro (developers of HITECH city). The new bid does not address many of the criticisms raised in the earlier bidding process¹⁰⁵.

Real Estate Logics in Urban Development

Liberalization of the economy increased pressures to cut public spending and ensure financial viability of new projects. For urban public agencies, the simplest route was to capitalize on urban rents to gain project viability. Economic infrastructure projects, such as highways and airports, were bundled with large land banks to be used for real estate development, as examples from Hyderabad exemplify. There was a proliferation of land- based projects such as Industrial Parks, Special Economic Zones and specialized zones such as IT Parks and campuses. Land- based infrastructure projects allowed privileges from the state (economic and legislative incentives such higher levels of infrastructure, reduced legislative entry barriers, and subsidies and tax breaks) to be spatially focused, which allowed leveraging of higher rents and increased potential for capital accumulation. Overall the need for state- sponsored projects to be financially viable set the stage for land becoming an important means of financing and leveraging capital, through

103See http://articles.economictimes.indiatimes.com/2011-01-14/news/28426741_1_clb-nod-il-fs-group-maytas-properties

104See <http://greenworldinvestor.com/2010/08/17/indias-company-law-board-clb-lashes-ilfs-for-trying-to-sell-maytas-stake-to-binladin-group/>

105See <http://www.projectsmonitor.com/RAIL/controversy-continues-to-dog-hyderabad-metro>

both debt and equity, and which in turn gave new legitimacy to real estate logics becoming integral to the new paradigm of development, post- liberalization. Coupled with regional competition and a focus on external investments, the capitalization on urban rents meant the development profile of projects receiving state support were determined by 'highest and best use' logic for land use. In both Kolkata and Hyderabad, the 'highest and best use' logic facilitated high- end real estate developments in these state- supported enclaves. The new development regime enacted by both public agencies and their private partners to create and enforce this new spatial regime substantively transformed urban land markets in both Kolkata and Hyderabad and the overlap between the real estate sector and development projects can be seen in both Kolkata and Hyderabad.

Buyers in these new developments included high and middle income populations of the cities, NRIs interested in buying property for personal consumption and/ or investment, and corporate tenants, such as those in the IT sector. Hyderabad was able to attract interest from more international developers looking to expand their activities in India, such as the Emaar Group from the UAE, Ascendas from Singapore and Tishman and Speyer. In comparison, Kolkata has been able to attract only limited interest from international real estate developers, most prominent of them being Indonesia's Salim Group. In both cities, there has been a proliferation of national level developers such as DLF, UNITECH, Shapoorji Pallonji, Srirampuriah, Omaxe, Hiranandani, Rahejas etc., who have expanded from mostly regional profiles to become large national corporations in the post- liberalized era in India, with project and firm based collaborations with international developers/ investors. In both Kolkata and Hyderabad (but

especially in Kolkata because of the initial local focus of the government, discussed earlier), certain preferred local real estate developers have also successfully capitalized on growth possibilities and become significant players¹⁰⁶. Corporates are increasingly venturing into the realty business, using capital and resources gained from their other business ventures. One example is the GMR group, from AP, who made their money in industries ranging from petrochemicals to energy and then branched into infrastructure development. Their first major infrastructure project was the Hyderabad International Airport.

Another not so positive example is Maytas, a subsidiary of Satyam, which used to be one of India's leading IT companies, working for a third of the Fortune 500 companies. Maytas was set up as a subsidiary of Satyam and capitalized on the inroads that Satyam had made with governments and businesses to land contracts (Ramachandraiah 2009). The Hyderabad Metro rail project was one of the biggest contracts that Maytas landed. The scandal at Satyam has been called India's Enron, and Ramalinga Raju, the head of Satyam has been compared to Bernie Madoff. Yet, for many years Raju was the darling of international and domestic media and domestic and international industry and political leaders, and the accounts that he inflated and falsified to the tune of \$1 billion, was under the watch of Pricewaterhouse Coopers, one of the 'Big 5' of management consulting¹⁰⁷. In Kolkata most local developers started with investments in industry and retail sectors and then moved to realty when the WB state government floated its PPP model to increase housing stock in Kolkata (Sengupta 2006). In addition both Kolkata and Hyderabad have seen real estate investments come in from specialty developers focusing on

¹⁰⁶Based on field research and interviews with CB Richard Ellis, a real estate consulting firm in Hyderabad and Confederation of Real Estate Developers' Associations of India in Kolkata

¹⁰⁷See <http://www.nytimes.com/2009/01/08/business/worldbusiness/08satyam.html>

retail malls or multiplexes. These developers are different because they are not just interested in developing the projects and finding tenants for them, but also in managing the business end of the project over a longer period of time.

The aspirations of real estate developers to participate in the placeless utopias associated with the 'world cities' trope on the peripheries of these cities are revealed in the names of the developments and developers themselves. On one hand, this translates into 'other- worldly' names such as the Aliens Group (logo: Intelligent Living) in Hyderabad whose residential projects are named Alien Space Station, Aliens Hub, Sweet Home Venus¹⁰⁸, while in Rajarhat there is Xanadu, a Siddha Group project¹⁰⁹ (logo: Recreating Reality). On the other hand, project names such as 'Ideal *Abasan*', being promoted by the Ideal Group at Rajarhat¹¹⁰ (*'abasan'* is the bengali word for home) appeal to the 'imagined communities' of returning NRIs who want to invest in a second home in their home city.

Financing real estate projects in India

It is important to understand the project financing strategies being used in these new projects to understand how the local urban economies of Kolkata and Hyderabad are being inserted into local, national and global accumulation strategies. The most popular form of financing real estate projects continue to be direct sales before the project is launched, at the building stage and post-completion. The target market are end-users as well as domestic and international investors interested in taking a longer view on the real estate market in India. However, as is obvious the

108See <http://www.aliensgroup.in/html/projects.html>

109See <http://www.siddhagroup.com/xanadu.html>

110See <http://www.ideal.in/IdealAbasan/>

bulk of buyers within this segment are individual buyers either looking to use, or invest in the property. As the real estate market across India has exploded, especially in the aspirational luxury segments¹¹¹, supply has outstripped demand and developers have been forced to lean more and more on institutional debt financing as they have increased marketing efforts to offload products. Most institutional debt financing in India has been hinged on collateral financing. Typically the asset used as collateral is land- the reason for the proliferation of PPP models, where the state has offered private development partners subsidized and publicly acquired lands, so the private partner may use the land to raise money for the project, either through direct sales or by using the the land as collateral to leverage debt. In the heady euphoria that gripped the Indian real estate market between 2004, up until the global recession hit, developers over-stretched on their leveraging potential¹¹². This opened the doors to private equity financing wider¹¹³.

“...there has been a visible shift towards equity financing for projects. Real estate companies have been very ambitious in the past and most are already highly leveraged. Although RBI allowed debt restructuring for a year, there is an astounding Rs 75,000 crore of outstanding debt with one third of it due by June 2010. Even as unit sales have picked up, developers have not booked enough profit to repay their debts.

¹¹¹In a recent development homebuyers have begun to mobilize and put pressures on developers to reduce prices, especially post- recession, see <http://www.livemint.com/2009/02/25212713/Real-estate-companies-face-ire.html>

¹¹²Access to debt financing has become increasingly more difficult/ stringent for realtors, as banks have tried to control runaway prices by raising interest rates- see <http://www.livemint.com/2011/02/14232213/The-bubble-may-be-set-to-burst.html> also realtors have defaulted on their loans and tried to bribe their way to loans, which has made banks tighten criteria to source debt financing, see <http://www.livemint.com/2011/03/02012828/Banks-want-higher-promoter-equ.html?atype=tp> and <http://www.livemint.com/2011/04/19003156/Realtors-fail-to-repay-bank-lo.html>

¹¹³For more on real estate financing see <http://www.livemint.com/2007/05/10192157/Financing-Real-Estate-in-India.html>

Consequently, other sources like equity dilution and bulk selling to long-term investors at 30-40% discounts are the present-day necessities. Developers are also trying to attract PE [private equity] funds to invest in short-term, small-format projects with completion schedules of 3-4 years. In fact, private equity has experienced a phenomenal growth over the last two decades as institutional investors, seeking higher returns, have embraced this alternative to traditional asset classes.

Given the alternatives available, even today, developers opt to fund their construction projects through prelaunch and pre-sale mechanisms, as by far, these are the cheapest sources of finance available. With a majority of the capital coming to the developer even before the project kicks off, very little of the builder's own capital is at risk and is therefore the most preferred and chosen financing route of project finance. To curb malpractices of prelaunches, what is required are sectoral reforms and strict enforcement of regulations to ensure better compliance.” (Sandhir 2010)¹¹⁴

In 2005, SEBI approved Real Estate Funds (REFs), that formalized private equity in the real estate market (Arora 2008)¹¹⁵. Domestic private equity still continues to be the main source of financing for real estate in India, due to the risk perception of India as an investment destination. Initially, the main route for international private equity to enter the Indian real estate market was in the form of Foreign Direct Investments¹¹⁶. The Foreign Investment Promotion Board (FIPB)

114 Sachin Sandhir is the MD and Country Head of Royal Institution of Chartered Surveyors (RICS), India. The quote is available at http://www.rics.org/site/scripts/documents_info.aspx?categoryID=821&documentID=1118&pageNumber=6

115 Arora, Bhavleen 2008. Master's thesis “A study of real estate sector in the Indian economy for investment opportunities”, University of Nottingham

116 For details of what is allowed as FDI see <http://www.madaan.com/realestate.html>

relaxed FDI regulations until 100% FDI was allowed into real estate projects that were above 25 acres (reduced from the earlier limit of 100 acres), with automatic approvals for IT sector and hotel projects and subsidies and tax breaks available to FDI for Special Economic Zone projects. However SEBI regulated a 3 year lock-in period before fund repatriation for FDI¹¹⁷.

Official estimates regarding potential returns for real estate in India is pegged at 25%, although in reality this number may be much higher, which made India one of the lucrative real estate markets for global capital (PWC and ULI report 'Emerging Trends in Asia pacific 2011')¹¹⁸, but through the FDI route, market exposure was large and exit options obstructed. So soon enough there were demands for further regulatory relaxations that would allow greater capital mobility, which resulted in another category of investors called the Foreign Institutional Investor (FIIs) that may include hedge funds, insurance companies, pension funds and mutual funds¹¹⁹. Unlike FDIs (Foreign Direct Investment), these funds are not regulated by SEBI, nor is there a lock-in period. SEBI approved the guidelines for Real Estate Mutual Funds (REMFs) in 2006¹²⁰. This category of financing is called Public Equity as the mutual funds have the option to buy publicly listed real estate entities. This is the most mobile form of financing catering to retail investors currently operational within the Indian real estate market. The proposal to launch Real Estate Investment Trusts (REITs) that would allow retail investors to directly invest in real estate assets,

117See GOI guidelines for FDI into real estate and changes made to the regulations over the years available at <http://www.cncindiafund.com/FDI%20Rules.pdf>

118Available for download at http://www.pwccn.com/webmedia/doc/634281762794471438_ap_real_estate_emerging_2011.pdf Accessed 17 June 2011

119See http://finance.indiamart.com/india_business_information/sebi_foreign_institutional_investor.html

120See http://www.inrnews.com/realestateproperty/sebi_board_approves_guidelines_for_real_estate_mutual_funds_in_india.html

rather than just public listed real estate companies, has not been approved yet. The Indian government is still quite wary of offshore debt financing (also called External Commercial Borrowing), in the wake of the East Asian crisis and still has relatively stringent guidelines against offshore non- equity financing options for real estate projects. The pressures from the industry on the government to liberalize this form of financing option, however, is growing¹²¹.

The line between equity- based real estate financiers from the supply side and equity- based investors from the demand side can be grey and the two can be differentiated only on the degree of risk that they are willing to absorb and how long they are willing to stay with the project before exiting. The risk profile across the various players on both the supply and demand side is uneven. Larger players are involved with larger investments, but have greater institutional mobility to exit a project or hedge their bets through spreading their risks across a portfolio of investments, as is the case with Real Estate Mutual Funds (REMFs) that were introduced in India in 2006. These players also tend to have global connections, greater capital leverage, institutional access to state support and subsidies and more institutional options to spread risks.

In the real estate markets that have emerged in Kolkata and Hyderabad on the peripheries, the most mobile group is comprised of retail investors representing international capital, especially Foreign Institutional Investors (FIIs). The second most mobile group, are the developers that can sell the real estate project through actual sales to endusers and investors before commencing construction. As a result, pre-launch sales are still the favorite form of financing for real estate

¹²¹For a commentary on ECB based funding for real estate projects in India, see <http://www.business-standard.com/india/news/external-debt-funding-enigma/285786/>

developers, whose risk exposure in the project is limited to the time that they can offload the real estate product into the market. The popularity of pre- launch sales and the underlying risk averseness of these developers is also the reason why projects are often held up for long periods of time and developers do not start construction before they have sold the property. As proposed supply outstrips material demand, this has left city peripheries in extended periods of suspended motion vis-a-vis construction activity.

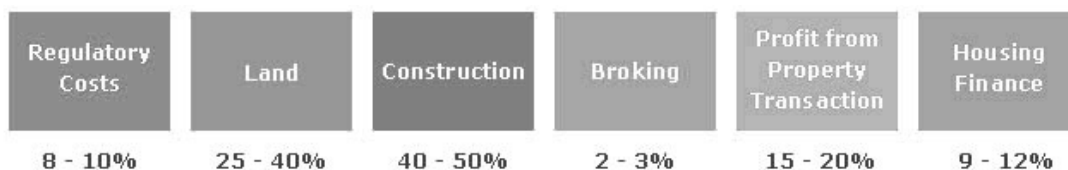
“With faster returns and better yields on investment in the range of 25-30%, most Private Equity funds are looking to place their money in residential projects. Robust real estate demand and the ability of various cities to attract high levels of FDI, which are capable of generating high rates of return are also favourable factors influencing investment.”

(Sandhir 2010)¹²²

The risk exposure of these developers may increase if they are sourcing debt- financing and/ or the investment in land. However they can reduce their risk in the project, if they can lobby the government to get public subsidy for the land they are developing and sourcing debt financing by leveraging land as collateral. Land still accounts for 30-40% of project costs in India (see Illustration 19)¹²³, so this public subsidy can be substantial risk abatement for the private partner. This is the model of public subsidies that has been normalized and institutionalized through inter- regional competition, not just in Kolkata and Hyderabad, but across India post- liberalization, across various PPP based infrastructure and real estate projects.

122 Available at http://www.rics.org/site/scripts/documents_info.aspx?categoryID=821&documentID=1118&pageNumber=4

123 Available at http://www.dhflvc.com/images/investment_destination/i_value_chain.jpg



Note : The above figure represents the approx. value creation in each stage of the Housing Industry

Illustration 19: Real estate returns along value chain (Courtesy: DHFL Venture Capital India Pvt. Ltd.)

The presence of international capital, either in the form of international developers bringing in FDI or as equity partnership between Indian developers and their international investors, has further induced governments to make such public subsidies available to these real estate projects, as the race for foreign investments has come to define inter- regional competition and act as a proxy for the relative success of a particular state government. Since, rules set by SEBI allow integrated projects above 25 acres to be fully financed through FDI¹²⁴, offers automatic approval to FDI financed IT software parks¹²⁵, allows IT software park above 10 ha to have SEZ status¹²⁶, and tax incentives are available to developers of Special Economic Zones¹²⁷, IT SEZ projects over 25 acres or more of land, have proliferated. SEZ rules require IT SEZs to have 100,000 sqm. of area for IT and 50% of the Zone earmarked as 'processing area'. As such, developers have the flexibility to use the remaining 50% of the zone for other development activities, while enjoying tax benefits.

Typically real estate developers that can access international capital are more ambitious and more mobile than national and regional level players. Part of the flexibility emerges from deeper

124See <http://www.cncindiafund.com/FDI%20Rules.pdf> and the GOI Department of Industrial Policy and Promotion document "Investing in India" available at http://dipp.nic.in/manual/manual_03_05.pdf

125See http://dipp.nic.in/manual/manual_03_05.pdf (pg.7)

126See SEZ regulations available at http://www.sezindia.nic.in/writereaddata/rules/SEZ_Rules_July_2010.pdf (pg.

127See <http://www.sezindia.nic.in/about-fi.asp>

pockets and greater leveraging potential from multiple financing sources, but part of the flexibility is a function of greater political leverage with state authorities. The 400 acre Tellapur Township at Hyderabad, located adjacent to HiTech city exemplifies the mobility and leverage of international investment interest. The consortium comprising of Tishman Speyer (USA) and ICICI Ventures originally planned an integrated township based on ecological (mixed use, green development and walking access) and relatively equitable principles (10% of the residential marked for 'economically weaker sections') and were the only bidders for the 400 acre project. As the recession hit they put their township plans on hold for more than 2 years and ultimately changed their plans to developing a 100 acre Special Economic Zone, a form of development that is planned to be far more exclusive, as well as being a gated development both spatially and legally. Developers with international connections are also more likely to invest in more exclusive developments that try to stretch the ceiling on returns on investment possible within the particular urban market, for example the West Howrah Township being developed by the Salim Group (Indonesia) in Kolkata was a fore- runner is setting housing prices well above Kolkata standards, a trend that has since been picked up by other developers/ developments with competing aspirations. International developers have greater access to international markets but there is an aspiration for upward mobility and higher rates of returns across various levels of real estate developers and over time national level developers have initiated road- shows at international destinations such as Dubai and Singapore to market their products, whereas regional players have become participants of various NRI meets being organized in their particular cities. Naidu's Janambhoomi project institutionalized such NRI meets in Hyderabad. Kolkata has also hosted multiple investor meets of this kind, including CREDAI Bengal.

In comparison to many economies, India remains fairly regulated against speculative hot capital flow across its borders, especially as it holds out against financial instruments such as REITs that would introduce an additional degree of financialization within the real estate market by allowing monetization and subsequent decontextualized tranching of real estate assets into tradable investment portfolios, much like the practices prevalent within the US market, which formed the speculative context for sub- prime mortgage rates to become a lucrative market segment¹²⁸. In India however the potential and risk of speculation within the real estate sector has less to do with unregulated financial instruments available for real estate financing and more to do with the bridge that private equity financing offers to a substantial black market (with its own linkages to international capital flows) to transfer money to the real estate sector and legitimize it.

State and Speculation

Kolkata

In Kolkata, the state government officially held onto its role as the sole supplier of land within the new high value development at New Town. Despite complete control by a government agency, the reports of corruption and unexplained favors to corporates, media groups etc. at New Town were rife. The CAG report (2009) highlight the malpractices associated with the allocation of land under the Chairman's quota, the assessment of market value at which allocations were

¹²⁸For a commentary on the relative conditions of the real estate markets in India and the US and the likelihood of a US-like bubble in Indian real estate, see <http://www.thehindubusinessline.com/todays-paper/article1677378.ece>

made and the higher subsidies that were given to the higher income groups in comparison to the lower income groups in the allotment:

“The Company did not fix any annual target for sale of land to different categories of allottees. Due to sale of plots in deviation from the allotment and sale policy, below the market price and break even cost, the Company sustained a loss of Rs. 371.75 crore in allotment of bulk plots to 24 companies /firms /developers. Moreover the Company extended undue advantage of Rs.19.96crore to West Bengal Housing Board, due to recovery of less escalation on cost of development and double payment of overhead. Due to fixing of unrealistic sale price of residential plots without reference to total cost of the project the Company failed to realise Rs. 179.47 crore from 8,573 allottees. No guidelines and procedure was framed for allotment under Special quota. 147 plots were allotted to different individuals without assigning reasons on records. Further, the Company lost Rs. 2.28 crore due to sale of these plots below sale prices.” (CAG 2009: 23)

and

“The Company belatedly ascertained the break even cost of saleable land in March 2008 after identifying total saleable land and estimating the total project cost of New Town Project as a whole. Consequently, the Company could not recover shortfall in break even cost. Further, higher income group was extended more financial relief than the lower income group while fixing price structure. Consequently, the higher income group got additional financial relief of Rs. 41.48 crore.” (CAG 2009: 23)

Repeated complaints and charges were leveled against the state Housing Department for being complicit in land speculation at New Town and Rajarhat, especially as land prices in New Town remained unnaturally high, with the 'multiplier' factor being added by HIDCO to the base land acquisition cost, being one of the highest in Asia (Sengupta and Tipple 2007). Even as BRADA (Bhangar- Rajarhat Development Authority) was set up to control land speculation, in areas surrounding Rajarhat New Town, its very presence acted as a sign-post to the market regarding the state government's intentions to bring in high end real estate external investors to Rajarhat, which in itself was instrumental in keeping a thriving land speculation market alive in Rajarhat. With the recent defeat of the CPI(M) government in the state elections, BRADA was dismantled and almost immediately land prices in and around Rajarhat plummeted¹²⁹. Braudel has analyzed how the state has to take on the role of a guarantor of private profits, as the scale of capitalist undertakings increase, or in present terminology, the scale of private investments increase, and the case of BRADA in Rajarhat exemplifies this. The presence of BRADA guaranteed that external investors would continue to enjoy state protection and support for their high end developments at Rajarhat, which in turn kept the land speculation market alive in and around Rajarhat.

The underlying issues associated with the land market that was institutionalized under BRADA's jurisdiction, outside Rajarhat New Town, came to a head, when a new IT township proposed by WEBEL and the IT Department, GoWB, initiated a new round of public land acquisition for 330 acres at Jagadishpur mouza ran into violent protests from farmers whose land was being

¹²⁹See http://www.thestatesman.net/index.php?option=com_content&view=article&id=371691&catid=35&show=archive&year=2011&month=6&day=2&Itemid=66

taken away. Problems with land acquisition had already prompted the Housing Department to allow private developers to negotiate directly with farmers and acquire land themselves. This was exactly opposite to their earlier official stand against direct contact between developers and farmers due to an 'imbalance in power' between them (Mitra 2002). Some private developers successfully obtained land through such private negotiations and claimed that the process had been quite simple since they offered a slight premium over the market price to the farmers (Interviews with developers 2008). However, the coercion and predatory practices implicit in these dealings became public (2009) in the case of the IT township proposed by the Vedic Village consortium (Akash Nirman Private Limited), in which WIPRO and INFOSYS had already been promised 90 acres of land each¹³⁰.

The Vedic Village consortium proposed a project of 1600 acres, adjacent to their existing luxury resort Vedic Village, of which 600 acres of land was to be handed over to the state IT department free of cost. It was a high profile project for which the state government (through WEBEL) floated a joint sector company with the private developers, promising a waiver of the urban land ceiling limit and facilitation of the land conversion process¹³¹, and recruited one of India's top architects Hafeez Contractor to draw up plans¹³². Despite the joint sector company¹³³, the state government officially claimed ignorance of the 'unfair' and 'irregular' methods being used by the developers to obtain land for the township. Later, a five- member committee discovered the 'irregularities' were committed by land reforms department officials and included forged land

130See <http://business.rediff.com/slide-show/2009/sep/09/slide-show-1-tech-bengal-it-project-what-went-wrong.htm>

131See http://articles.timesofindia.indiatimes.com/2009-09-04/kolkata/28106378_1_raj-modi-land-vedic-village

132See <http://business.rediff.com/report/2009/sep/08/bengal-scraps-it-township-project.htm>

133See http://articles.timesofindia.indiatimes.com/2009-09-04/kolkata/28106378_1_raj-modi-land-vedic-village

deeds and irregular changes in land use¹³⁴. The state Housing Minister Goutam Deb, the key person behind the New Town project, distanced himself from the episode, saying the project must be scrapped if the land was being acquired through 'irregular' practices, thus also officially distancing himself from similar allegations made about the Housing Department's 'public' land acquisition process in New Town¹³⁵. The IT township was officially abandoned to claims that West Bengal had lost INR 100 billion in investments and 300,000 jobs with the termination of the project¹³⁶.

Hyderabad

In Hyderabad the extent of land consolidation for real estate and infrastructure projects have been on a scale several times of that in Kolkata. Hyderabad's case exemplifies a state planning project (undertaken across different parties in power) that strategically incorporated spatial and policy incentives to encourage private sector interest in real estate development. In Hyderabad too, the state government acted as the guarantor of speculation through land in Hyderabad's periphery, by creating conditions through infrastructure projects and urban planning measures. However unlike Kolkata, the state government in Hyderabad did not try to control land supply in the periphery, or try to act as the sole supplier of land there, even though they did 'partner' major external investors with acquisition/ consolidation of land for their projects.

134See http://articles.timesofindia.indiatimes.com/2009-10-07/kolkata/28086925_1_land-vedic-village-rajarhat-new-town

135See http://articles.timesofindia.indiatimes.com/2009-09-03/kolkata/28081717_1_land-reforms-gautam-deb-vedic-village

136See <http://business.rediff.com/slide-show/2009/sep/09/slide-show-1-tech-bengal-it-project-what-went-wrong.htm>

The ORR in Hyderabad exemplifies a state planning project that strategically incorporates spatial and policy incentives to encourage private sector interest in real estate development and speculation. Spatially, the extension of Hyderabad's urban limits initially followed the ribbon development pattern along the main roads leading away from the city and later with the implementation of the ORR project took on the pattern of 'leapfrogging'. The 'leapfrogging' pattern was encouraged by the state by allocating large parcels of land to high profile projects, such as the international airport (5000 acres), the International School of Business (250 acres), Fab City, Genome Valley, Raheja Mindspace etc, at a distance from the urbanized extent of the city, leaving an intervening area undeveloped. The 8-lane limited access 159 km long, ORR was a critical strategic state- planned infrastructure project that was initiated in 2005 (after TDP and Naidu lost the elections in 2004 and a Congress government with YSR Reddy as Chief Minister took over) that reinforced the leapfrogging pattern of Hyderabad's extension. The intervening undeveloped land attracted the interest of real estate brokers and developers and the area has seen unprecedented rates of real estate transactions. The local planning authority planning the ORR attracted controversy and allegations of being involved with real estate speculators due to the frequent changes they have instituted in the road's alignment since the announcement of the project. The ex-Chief Minister Naidu filed a PIL in 2006, against Reddy, the new Chief Minister accusing that the changes in the ORR alignment were for speculative purposes. This initiated a probe by the Central Bureau of Investigations and an independent inquiry by a retired High Court judge. As per the PIL, “chief minister is accused as being primarily responsible for the changing the alignment to suit the interests of the relatives, some government officials and

political appointees”¹³⁷. A TDP MLA alleged the ORR alignment had been altered 115 times¹³⁸.

Each change in the road's alignment precipitated a change in real estate values in adjoining lands and the frequent changes have kept the real estate markets volatile and transaction rates high in areas around the city.

Though the IT makeover of Hyderabad spurred the real estate market in the peripheries of Hyderabad, the areas surrounding the city have been subject to real estate interest and speculation since the 1980's, based on a pattern of business and political elites in the city using real estate as a stable investment option for surplus wealth. Hyderabad is 400 years old and was the capital of India's richest princely state, under the control of the seventh Nizam, reputed to be “the richest man in the world” (Time Magazine 1937)¹³⁹ before Independence (Ramachandraiah and Bawa 2000, Chacko 2007). The incorporation of the Nizam's state to the independent Indian Union in 1946 was contested, since the Nizam initially wished to join the newly formed state of Pakistan and barring that wished to remain an independent state. The Indian Army launched military action against the Nizam, which he appealed at the UN, to ultimately incorporate the state within the Union. With incorporation, the Nizam's family and court, along with most of the state's Muslim elites left for Pakistan, leaving a power vacuum in Hyderabad (Benichou 2000, Luther 2006). Hyderabad remained the capital after the reorganization of the state of Andhra Pradesh (joining three regions coastal Andhra, Rayalseema and Telangana) based on language (Kamat 2011). The power vacuum in the city was filled by the in- migration of elites from the

137See “Controversial path” at <http://archives.digitaltoday.in/indiatoday/20061023/web.html> Accessed 17th June 2011

138See <http://www.hindu.com/2006/08/31/stories/2006083111520400.htm> Accessed 17th June 2011

139See Time Magazine Feb. 22 1937 “Hyderabad: Silver Jubilee Durbar” Available at <http://www.time.com/time/magazine/article/0,9171,770599,00.html> Accessed 17th June 2011

state's coastal south (their wealth derived from agricultural surpluses since the state's coastal south is highly fertile, as compared to the arid Telangana region, where Hyderabad is situated). The Green Revolution in the 1970's greatly added to the surplus wealth of these new elites in Hyderabad (Upadhyaya 1988), as did the boom in the Hyderabad based film industry. Since this group did not have historical property holdings in Hyderabad, they used the surplus wealth to buy land in Hyderabad and its surroundings. From the 1980's the real estate demand for land in Hyderabad and its surroundings picked up pace, as land offered a stable long-term investment option. In the 1980's the regional political party TDP came to power, thus solidifying the regional character of the state and city's politics (for details see Chapter 3). NT Rama Rao the leader of the TDP and the first TDP Chief Minister of Andhra Pradesh along with most of the TDP party members were part of the Khamma caste, and hailed from coastal Andhra.

The IT based makeover of Hyderabad's spaces and politics, added pace and strategic state-sponsorship to an existing pattern of urban investment, with the city's new elites using real estate as the preferred investment option. The global potentiality associated with the IT sector and the seemingly unending foreign and domestic investor interest it promised, spurred the latent appetite for real estate speculation in the city and boosted land transactions and land consolidation for future investment. It bred a new intermediate class of small and medium sized real estate brokers that rushed in to buy land off farmers and primary land holders, so they could sell consolidated holdings to other brokers and investors at a higher rate. Land changed hands multiple times when the hype and the speculation around the IT sector was high (Interviews with brokers on site during field research 2009). Most consolidated land however remains

undeveloped as demand for land that was supposed to be spurred by the IT sector did not materialize to the extent imagined. The role of these small and medium scale brokers also remained limited, since the city and state administrations, remained the chief suppliers of land to high- profile external investors into the city (such as the new airport, the International School of Business, FabCity, Genome Valley, Cyberabad etc.). The land provided by the state government to high profile investors and developers often far exceeded what the market could absorb, an appetite which global recession further eroded. This ensured a smaller market for small and medium scale investors/ developers, who were not necessarily looking at lower end markets with lower rates of returns, but high value projects at a smaller scale. High profile infrastructure projects such as the ORR and the leapfrogging design of the city's extension meant that the state played an important role in building this real estate market and the speculation inherent in it.

17 villages were cleared in Seringampally district to make way for Cyberabad (Sreoshi 2010) on the periphery of Hyderabad. Of the various other developments in the city's peripheries, the most vocal public protests were associated with the area designated under the Hyderabad Airport Development Authority around Hyderabad's new international airport at Shamshabad. The HADA area covers “70 revenue villages and 19 hamlets all falling in Ranga Reddy district, with a total population of 1,54,646 (Census, 2001 cited in Report on the Draft Master Plan for the HADA, 2003) largely engaged in agriculture and agro-based industries and other nonfarm activities” (Sreoshi 2010: 4). Scholars have recorded marginalized communities, especially Dalit communities that have had to move to make way for new developments¹⁴⁰ in Hyderabad's

¹⁴⁰Ramachandraiah “Global Integration and Local Exclusion in High- Tech Spaces” available at <http://kicsforum.net/kics/KD/015-high-tech-spaces-ram.html> Accessed 17th June 2011

periphery. The destruction of geologically significant rock formations, dated to be about 2500 million years old, to make way for IT campuses and new roads¹⁴¹ on the periphery of the city¹⁴² have also elicited public protests. After mobilization by an NGO called 'Society to Save Rocks', HUDA has agreed to designate 20 formations as heritage sites¹⁴³.



Illustration 20: Rock formation at Cyberabad. These formations are geologically dated to be 2500 million years old. (Photo: AH 2009)



Illustration 21: The Cyberabad and Gachibowli areas are known for their geologically important rock formations, which are being cleared for IT campuses (Photo: SM 2009)

Conclusions

In both Kolkata and Hyderabad parallel planning machineries were established to facilitate the development of the peripheries for external investors. New exceptional spatial regimes, were put in place to facilitate preferred private partners to consolidate land and the development of high end real estate was encouraged by both state agencies, trying to remake the cities into investment- friendly destinations. The concept of 'splintering urbanism' is important here, described as, “secessionary network of spaces held together through premium networked

141See Dundoo Sangeetha. 2010. “On the rocks.” The Hindu, Jun 2. Accessed Jun 17, 2011.

<http://www.thehindu.com/life-and-style/metroplus/article444321.ece>

142For photo see: <http://www.thehindu.com/life-and-style/metroplus/article444321.ece?viewImage=3>

143See “The new heritage precincts.” The Cyberbad Times, Mar 04, 2007, Accessed Jun 17, 2011.

<http://www.cyberabadtimes.net/2007/03/new-heritage-precincts.asp>

infrastructure that quite literally 'secede' from surrounding urban environments. Such forms of segregation are now manifested both horizontally and vertically – from elevated quasi- private toll roads and skyways to fortified high rise structures, there is a three- dimensional landscape of exclusion and polarization” (Graham and Marvin 2001: 284, as quoted by Al Sayyad and Roy 2006: 5). These new practices normalized practices and priorities of neoliberal governance in both cities. The need for state- sponsored projects to be financially viable set the stage for land becoming an important means of financing and leveraging capital, through both debt and equity, and which in turn gave new legitimacy to real estate logics becoming integral to the paradigm of urban development, post- liberalization. State governments and public agencies in Kolkata and Hyderabad navigated the changed priorities and the post- liberalization paradigm of development, where capitalizing on urban rents was normalized, in different ways. Both state governments were responsible for embedding speculative behavior into the urban peripheries, through state guarantees made available to the private sector. Public- private partnerships were an important institution through which state guarantees were made available to preferred private partners in both cities.

The populations most negatively affected by new gated real estate enclaves on Kolkata and Hyderabad's peripheries were those that lost their land to these new developments. The effects on these populations and the effects on the cities resulting from the displacement of these populations and land uses is discussed in greater detail in the next chapter. Ironically, the next most affected population are end-users that have ultimately bought into these new developments with their life savings, especially middle income households that have invested in these locations

with a view to access a significantly higher quality of life and/ or create a nest- egg with a potentially high resale value. Rajarhat, especially has been subject to increasing complaints from those that have tried to move in there, because the infrastructure, world class or otherwise, that was promised there, is not yet in place¹⁴⁴. Secondly, the area is prone to flooding¹⁴⁵, again a fact not mentioned in the glitzy advertising and in recent monsoons, the area has been flooded and some buildings have been cut off from both water and power as a result of it. Thirdly, the global recession has halted construction and development activities and the easy access to shopping, hospitals, green spaces etc. that had been promised still remain a pipe dream¹⁴⁶. Finally, the developers have already stretched the supply that can be offloaded into the market at their designated price-points and are using extensive marketing both domestically and internationally to offload the product. As such they have cornered the market through both supply and price. These are difficult conditions for an individual reseller to compete with and a potential higher resale value on any property they buy in these enclaves, remains unrealizable.

The above offers a window into the nature of the speculative market being encouraged on the urban peripheries of Kolkata and Hyderabad, with those at the beginning and the end of the value chain standing to lose the most, while the business itself continues to grow both in size and in terms of rates of returns. The second characteristic of the speculative market is the integral role

144Chakroborti Suman. 2008. "New Town dreams shattered," The Times of India Kolkata, Aug 10. Accessed Jun 17, 2011 http://articles.timesofindia.indiatimes.com/2008-08-10/kolkata/27915999_1_civic-amenities-hidco-authorities-showpiece-township

145"Buddha's dream town is an island." The Times of India Kolkata, Jul 9, 2007. Accessed Jun 17, 2011. http://articles.timesofindia.indiatimes.com/2007-07-09/kolkata/27966161_1_drainage-system-action-area-ii-amalendu-bhattacharya

146"New town a concrete desert." The Times of India Kolkata, Jul 20, 2009. Accessed Jun 17, 2011. http://articles.timesofindia.indiatimes.com/2009-07-20/kolkata/28154005_1_showpiece-township-rajarhat-new-town-hidco

of the state in guaranteeing private profits, subsidizing land, thus making a larger rate of return possible and offering tax incentives to the private profits being made. In Kolkata the state has been more explicit about trying to capture some of the market's speculative gains, by trying to control land supply and putting a high price on land at New Town. Ultimately the market has rejected the state's attempts and developers have moved into areas adjacent to the New Town, preferring to acquire land themselves, than share the returns derivable from the land component of the project, with the state. In Hyderabad the state has been less explicit about participating in the speculative market, although they have been very explicit about their role as a guarantor of private profits (and have been charged for corruption for personal favors in making such guarantees- see section on “Accommodating speculation through urban planning”) and have facilitated the process by spatially manipulating urban space for a real estate market several times the size of the main city to emerge.

However these new urban markets, despite their speculative tendencies, are both privileged and encouraged within a context of inter- regional competition and liberalization. It is the aspiration of state governments to create such markets across cities (supported by central funding through schemes such as the Mega City scheme and more recently the Jawaharlal Nehru National Urban Renewal Mission). The paradox of public subsidies being given to high end real estate that developers are having trouble offloading into urban markets is submerged within discourses of external investments, market reforms and efficient governance. The peripheries of Kolkata and Hyderabad exemplify the changes in the urban development paradigm engineered within the rubric of the above discourses.

Chapter 6: Discursive Practices of 'Encroachment' vs. 'Development'

A key aspect of the 'world city' trope, is the idea of global connections across geographically separated locations to create a seamlessly connected global marketplace or a 'flat world' (Friedman 2005). Harvey (2001) has analyzed the inherent tendency of capital to obliterate 'frictions' (labor, space and political/ social institutions, made unique through historic structuring) that constrain its perfect mobility to seek highest returns across a diversity of locations and economic sectors, while capitalizing differentially on locational advantages for capital accumulation such as proximity to resources, markets, externalized social costs (such as public health), cost advantages in labor etc. However these placeless utopias of capital mobility rarely emerge naturally. Neither do they remain uncontested once materialized. Typically local governments play a critical role, by separating certain areas from existing economies and populations and converting them to 'globally competitive' zones/ enclaves, where 'frictions' to capital are reduced and advantages amplified through infrastructure, policies and subsidies. Over time the state has to enforce the and maintain the privilege of these enclaves. Within neoliberal definitions, these 'globalized' spaces exemplify 'development', and in case of cities in the Global South, typically imagined as counterposed over a background of underdevelopment and poverty. Friedman's marvel at ruminating cows outside the an IT Park in Bangalore is an evocative cliché of how easily the 'flat world' framing correlates the 'globalized' with 'development' and 'the rest' with 'under- development'. Discursive practices encouraged by the imageries of a 'flat' world, not only reify 'global' urban spaces and their imaginations over existing urban spaces and economies,

but also deem spaces not explicitly part of the 'global' project to be increasingly problematic and in many cases illegal.

In both Kolkata and Hyderabad, state governments have institutionalized and protected the borders of new 'global spaces', in the city peripheries as well as 'globalized' pockets in the main city area, from 'old' economy, population and politics¹⁴⁷, through a mix of zoning and density regulations, as well as public policing and private security. The state-protected borders were normalized within a discourse of 'encroachments', a catch-all phrase used to characterize alternate claims on production of land. Two main types of encroachers have been the focus in both Kolkata and Hyderabad- the original displaced populations from whom land was acquired and new speculators interested in a share of the new high value real estate markets engendered in these 'global' zones. Yet, 'development' as defined within the emergent neoliberal paradigm 'encroaches' on existing populations, land uses, and systems of exchange and sustenance within the city (economic, social and ecological). Using empirical evidence from Kolkata and Hyderabad, this chapter argues that discursive practices associated with liberalization and with attracting external investors have negative implications in terms of equity and the sustainability of urban economies and social and environmental ecologies.

¹⁴⁷Al Sayyad and Roy (2006) in 'Medieval Modernity' draw interesting parallels between protected enclaves created to sustain the current cycle of capital accumulation to the spatial geography of medieval free towns, "medieval free town was also the protected town, there was no medieval concept of freedom that was not also a concept of association, patronage and defense" (p. 3). New enclaved developments in cities such as Kolkata and Hyderabad with home- owner associations, NRI networks and corresponding patronage and security from specially formulated planning agencies and police departments highlight that contemporary spatial geographies have historical parallels.

The main arguments in this chapter are:

1. In both cities, the state agencies used the terms 'development' and 'encroachment' both as legal instruments and as discourse, to transfer land ownership, change land use and implement new projects, in the urban peripheries, within an overall context of neoliberal governance.
2. Even though official objectives such as reducing urban speculation and controlling haphazard and illegal urban growth were used to justify land consolidation, designation of new development areas, new development regimes and new 'globalized' and hypermodern projects, in both cities, these interventions ultimately represented state decisions about who had the right to produce urban space. Elite illegalities were facilitated, while marginal urban uses and informality were deemed illegal, over time.
3. Urban economic vulnerability increased due to the state encouraging speculative behavior in these new periurban cities and because of the loss of livelihoods in the periurban areas, which added to the ranks of the most marginalized in both cities.
4. In both cities low-cost periurban livelihoods, sustaining urban food markets and regional water supply and managing drainage and waste systems, have been displaced by speculative land markets, shored up by government guarantees. These periurban livelihoods addressing both economic and environmental needs of marginalized populations have been financially disincentivized and are being progressively made illegal as they are informal or partially formal. These events highlight trade-offs between sustainability and growth initiatives and ultimately have implications for the increasing environmental vulnerability of both urban regions.

Producing 'Global' Periurban Cities

Both Cyberabad and Rajarhat exemplify their administrators' objective to create more 'globalized' spaces within Hyderabad and Kolkata, respectively. The reconfiguration of the peripheries of Kolkata and Hyderabad need to be seen as the respective states reclaiming their sovereign power to reorder the spatial order of the city and remake it through planning interventions and spatially enforcing the cities' peripheries into graduated zones of exception (Ong 2000). The privileged real estate islands in the peripheries then are “not a 'state' of exception that can be counterpoised to a rule- governed world of 'normal' politics and power” (Roy 2011: 234, quoting Gregory 2010: 84) but comprise an emergent spatial regime, where the uneven geography has been normalized within a discourse and praxis of regional competition and public subsidies for high- end external investments.

Both Rajarhat and Cyberabad are designed to be spatially separate sub-cities, with lower densities, a distinct profile of development, much higher levels of both public and private investment, captive infrastructure and new and simplified access to consumer- friendly government agencies (Shaw 2007, Chacko 2007, Kamat 2011). In both Kolkata and Hyderabad, the new chrome and glass buildings at Rajarhat and Cyberabad, have created new skylines, which form the visual message on brochures, billboards, investor websites, marketing road shows and business expositions, accompanying state government and private developer claims of new 'globalized' versions of the old cities. The self- sufficiency of these new hubs¹⁴⁸, in part, has been achieved by planning them as integrated townships, where a new population will potentially

¹⁴⁸See Cyberabad Development Authority. 2011. “CDA Highlights of the Plan.” Accessed June 17. <http://www.hmda.gov.in/huda/inside/cda01.asp> and the descriptions of planning and infrastructure at Rajarhat New Town at the HIDCO website: http://www.wbhidcoltd.com/About_hidco/new_town.html

have access to the highest quality of physical and social infrastructure, high end medical and educational facilities, high end housing, shopping malls, luxury hotels, resorts, clubs, as well as be close to their place of work.



Illustration 22: Mall at Rajarhat (Photo SM 2009)



Illustration 23: Ohio Hospital, USA, Rajarhat New Town

Despite being located on the cities' peripheries, the new developments in both cities have been planned with new road extensions, so there are direct and quick connections to the airport and it is possible to enter/ exit the city and conduct business in the IT townships, without necessitating extended interactions with the existing city. These new road projects in both Kolkata and Hyderabad ensure that the 'global' character of the external- investment driven developments are preserved (especially in Hyderabad) by creating a seamless travel experience. The map of the ORR (below) highlights how various Special Economic Zone projects in the city have emerged to take advantage of the new urban spatial geography the new road project has created. Sector V, Rajarhat and Cyberabad, have separate police divisions and separate planning authorities that formulate and enforce zoning and density regulations. Further, the new areas have their own stand- alone core infrastructure (water, power), separate from the city. However, I argue that in

Kolkata and Hyderabad, these desires to create separate and exclusive utopias are only partially realized, despite the patronage they receive from the state, as they come into conflict with alternate desires to produce space, and remain subject to encroachments and to speculative demands of land markets they help create.

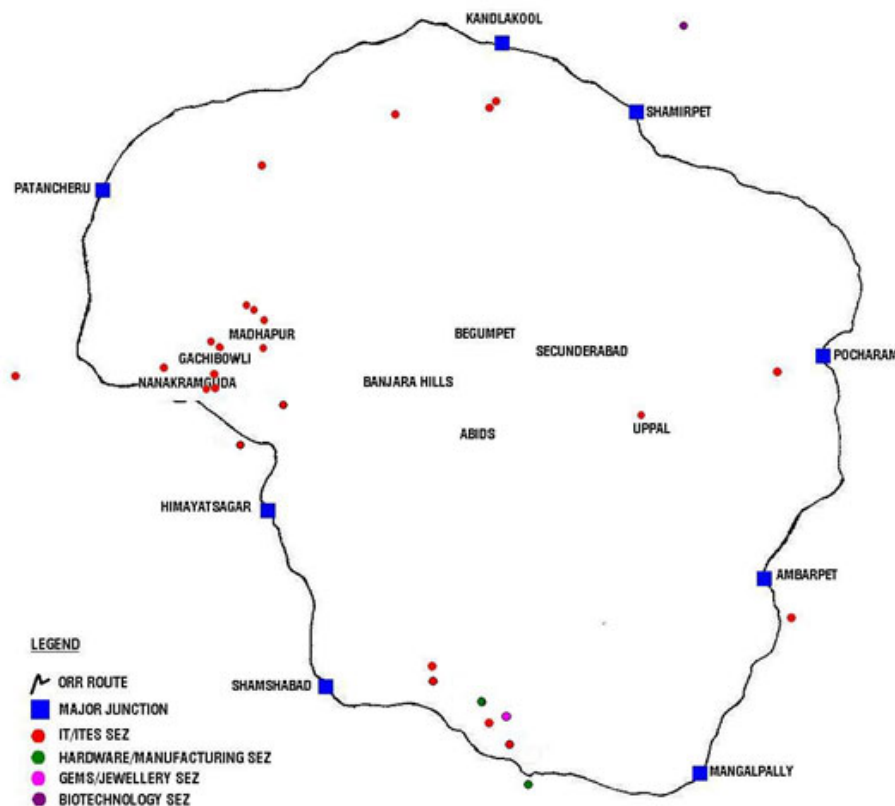


Illustration 24: ORR Alignment with SEZs (Courtesy: HVS Research Available at <http://www.hvs.com/article/3185/metamorphosis-of-hyderabad-india/>)

Designating Alternate Claims as 'Encroachments'

In both cities state agencies have targeted two main sets of 'encroachers': displaced populations and local small- scale speculators. The first set of encroachers are the displaced populations, who are likely to 'squat' on the lands, where they previously lived. In Kolkata, the extremely fertile

quality of the acquired land has meant that the displaced populations have continued to use the land to farm and graze cattle, even after the state government and private developers have fenced off areas after Section 4 notification of the Land Acquisition Act. In both Kolkata and Hyderabad, a large proportion of the land consolidated for new developments have effectively turned into unused real estate holdings, as developers await the next real estate boom to implement their projects. That the land has been converted from a means of production to a consumption good and the conversion is now legally enforced, is lost in translation, in cases where after months, sometimes years, of the land lying vacant, the original populations disregard the land survey markers and fences and continue their original use of the land¹⁴⁹. In Kolkata especially, the encroachments have also been prompted by the compensation amount paid for the land being inadequate to ensure that families can transition into an alternate livelihood, which has prompted them to return to their original livelihoods when the compensation amount has run out. Some farmers in field interviews said that they did not want to just go from being farmers one day, to doing nothing the next, so when their land remained unused by the government/private developers, when planting season came around, they simply decided to continue planting. They said they could move when development work actually started on the site and jobs became available in the industrial units that had been promised when the land was being acquired.

The second set of encroachers are private land speculators, typically small and medium scale brokers and developers. The sudden influx of high- end investment in these new areas have converted them not only into privileged zones of infrastructure, but also high value real estate islands and both in Kolkata and Hyderabad, lands in and around new developments have been

¹⁴⁹Based on field research, interviews and site visits in Kolkata and Hyderabad between Sept 2008 and Aug 2009

subject to frequent transactions and a sharp spike in real estate prices, much of it fueled not by actual market demand but by speculations of future high end investment interest¹⁵⁰. Chapter 5 has a detailed discussion regarding the development regime that has encouraged this speculation in Kolkata and Hyderabad. The previous chapter also highlights that in both cities policies and planning mechanisms have been actively put in place, such that only the state and large- scale private players (typically external investors) are effectively allowed to participate and earn from these upper- end, and often inflated urban land market rents. In both cities the padding of land 'demand' in iconic projects has far exceeded market appetite for new high end urban products. Nonetheless small and medium scale brokers/ developers in both cities have been active, even virulent¹⁵¹ in trying to corner a portion of the new rent potential. In both cities this has created a volatile and speculative land market, which the state in the two cities has tried to control/ capitalize on escalated land values through different means. These speculative land markets have witnessed multiple bubble bursts with the onset of the global recession and with changes in state governments¹⁵².

150For a related discussion on the speculative land market that has emerged in Mumbai within a discourse of 'globalization' see Weinstein 2008 "Mumbai's Development Mafia: Globalization, Organized Crime and Land Development" *IJURR* 32.1 (22-39)

151In a revealing set of interviews with an extended family of farmers comprised of three generations (especially the women) displaced for the Rajarhat development in Kolkata, a particularly gendered effect of this virulence was apparent. The women highlighted that the village had been an extension of the family, and women could move around without fear. As the area exploded with speculative interest, the presence of small and medium scale brokers from the city escalated. Heckling (women, especially young girls) became common. Families began to control women's movements even during the day. The youngest daughter claimed she had to drop out of college, because they did not have money to pay for it anymore and because her father did not think the big city was a safe place for her anymore after interacting with the brokers. The women highlighted that the sudden influx of cash (from compensation) and presence of brokers and middle men in the village reduced their role in family and village decision- making, as the men reclaimed money and investment decisions.

152Based on interviews with small and medium scale brokers on site at Hyderabad and affected villagers in Kolkata conducted between between Sept 2008 and Aug 2009

As is clear, despite the 'world city' trope, the materiality of 'globalized' enclaves, at Rajarhat and along the ORR in Hyderabad, remains tenuous and open to alternate claims over land both as a production resource and as a source of urban rents. The supposed reduction in 'friction' to capital mobility also remains a partially conceived reality, with local speculation playing a big role in land prices. However, the state government in both Kolkata and Hyderabad continue to affirm the fiction of these 'globalized spaces' by actively ensuring the separation of the new areas from the existing city, which in turn, over time, deepens the spatial separation into a structural reality of the cities' transformations, embedding them into the cities' new spatial forms.

Remaking Urban- Peri- Urban Relationships

The displacement of largely agrarian peri-urban settlements to make way for new sub- cities and the spatial separation of these new sub- cities from surrounding populations/ land uses have had material implications for the sustainability of urban economies and systems of exchange and sustenance that existed between urban and peri- urban areas in both Kolkata and Hyderabad. The next section analyzes the ways in which urban- peri- urban relationships, comprised of flows of populations, resources, water, waste and energy, were transformed in both cities, and what this remaking implicates for the cities' long- term economic, environmental and social health.

Kolkata- Land valuation at Rajarhat: Production resource or consumption good?

At the heart of the political standoff at Rajarhat was the 'value' of land being lost in translation between an urbanized imagination of the relationship between land and price, and non- urbanized livelihoods depending on fertile land¹⁵³. From within an urbanized imagination, the land at

¹⁵³For a discussion regarding the conflicts arising from rampant acquisition of agricultural land to fuel globalization

Rajarhat was 'undeveloped' peri-urban land with low real estate demand. The West Bengal state government to date maintains that the rates of compensation (approximately INR 36,000 per acre or \$720 per acre) paid to the displaced populations at Rajarhat were some of the highest rates paid anywhere in the country (Interviews with HIDCO officials during field research 2008). As such the farmers and land owners demanding more than the 'market' value¹⁵⁴ assessed on the basis of recorded land transactions in the area, were labelled 'speculators' and as the stakes in the standoff escalated, their actions were labeled as 'anti-development'. Yet at least a portion of these 'speculators' were simply demanding a monetization of their livelihood that was predicated on the land¹⁵⁵. For the displaced population, the area had a uniquely high level of infrastructure, including irrigation facilities, wetland characteristics, which made farming and fishing possible and proximity to Kolkata's Waste Water Recycling (WWR) region, which made the land uniquely fertile (Interviews with Nilotpal Dutta, secretary Rajarhat Jami Bachao Committee

in the Chinese context, see Cartier C. (2001) 'Zone fever, the arable land debate and real estate speculation: China's evolving landuse regime and its geographic contradictions' *Journal of Contemporary China*, 10.28, 445-69

154The CAG critiqued HIDCO's process of assessing 'market' value of land at Rajarhat in their 2009 report as follows: "The business process provides that in case of land of development authorities, notified areas, cantonment areas and housing estate, market value of land and flats is based on its location inputs like sector or action area, layout block, layout plot number, etc. Scrutiny of the records of ADSR, Bidhannagar, indicated that the West Bengal Housing Infrastructure Development Company Ltd. (WBHIDCO) had sold land in Rajarhat. The department had not mapped the developed land of Rajarhat in the market value monitoring register and therefore market value of the properties sold out were not assessed through the system. 536 sale documents (year 2007) were registered at the value set forth by WBHIDCO Ltd. The market value of the land was not assessed by the system and set forth value was accepted, bypassing the registration process. On this being pointed out in audit, the ADSR, Bidhannagar, stated (February 2009) that since it was treated as 'sale by Government', as such set forth value is treated as market value and there was no scope for assessment of market value. Further, the Directorate stated that the concerned authority had not completed the survey of area and block numbers and plot numbers had not been allotted." (CAG 2009: 25)

155For a more detailed India-level discussion of this issue, which is increasingly becoming contentious as mega-projects become a norm, see Datta, S. et al (2009) "Land for Infrastructure Development: Livelihoods and Fair Compensation" in *India Infrastructure Report*, OUP, 111-122 and Bapat, J. (2009) "Resettlement Entitlements: Moral Economy of Land Rights and Beyond" in *India Infrastructure Report*, OUP, 97-102 Available at http://www.iitk.ac.in/3inetwork/html/reports/IIR2009/IIR_2009_Final_July%2009.pdf Accessed June 17 2011

2008). However during land acquisition the land was valued for its lack of urban infrastructure, such as access roads, piped water and sewerage systems.

The official response to the loss of livelihood at the New Town area ranged from complete denial (the land was never used for farming and/or fishing) to playing down the intensity of the agricultural activities (Interviews with HIDCO 2008). IIT Kharagpur's first exploratory report identified the land as 'fallow', which is officially contradicted by the Department of Agriculture's records regarding irrigation infrastructure in the area and rent collected for irrigation water supplied (Water bills produced by villagers during field research 2008). During field interviews, those displaced from New Town stated the land had yielded upto five rotations of crops (2008). Typically fertile land yield upto three rotations of crops, annually. Interviews highlighted that the displaced families had been self- sufficient in producing food and they had selective monetary relationships with Kolkata's urban food markets, mainly as producers¹⁵⁶. They maintained a rotational credit system amongst family and friends, based on the land they owned. In years when a particular family faced economic hardship, they would 'sell' to a friend or neighbor and then 'buy' it back in years when money was flush. The rotational credit system offered a security net against annual vulnerabilities. As the land circulated within friends and family, social relationships provided some checks and balances, ensuring the land was not sold to 'outsiders' and providing some counter-pressure against transactions turning exploitative. Thus despite selling their produce to the city, these families were not completely integrated into the urban cash economy. Producing their own food and having their own system of social security, allowed

¹⁵⁶Also see Bunting, S.W. et al (2005) "Peri- urban Aquaculture and Poor Livelihoods in Kolkata, India" in Urban Aquaculture (eds.) by Costa Pierce, B. et al. CABI Publishing, Cambridge

selective consumption of certain urban services, such as education for children and some health care in acute cases. The official 'urban poor' designation did not fit. After the loss of land and livelihood, the affected families entered Kolkata's cash economy fully, purchasing food at urban market prices and finding employment in the lowest paying unskilled sectors within the urban economy, without social safety nets. They also had no experience handling large amounts of cash and the compensation amount was spent quickly and within a few years, these populations fit traditional policy definitions of the urban poor (Based on interviews with affected villagers 2008).

A further urban bias¹⁵⁷ within the development paradigm is highlighted by the acquisition process at Rajarhat taking advantage of how compensation rates are defined for different types of land in the Land Acquisition Act. The Act allows a higher rate of compensation for residential land than for agricultural land¹⁵⁸. As such the state government only acquired agricultural fields, rather than 'settlement areas' of affected villages, where villagers had their houses (based on field research and interviews 2008). Official planning documents drawn up to account for the 'displaced' population refer to a disproportionately small group (200 households¹⁵⁹), because the official counts only reference those whose 'dwellings' were affected by the acquisition process. This nonetheless ignores the much larger population who gave up their fields and effectively their

¹⁵⁷Bunnell and Maringanti (2010) refer to this as 'metrocentricity' and argue for the need to look beyond it in both academia as well as policy, in their paper "Practicing Urban and Regional Research beyond Metrocentricity" IJURR

¹⁵⁸For a more detailed discussion regarding the provisions of the Land Acquisition Act see Choudhary, T. (2009) "Compensation and R&R: Current Issues and Proposed Reforms" in India Infrastructure Report, Oxford University Press, 83-89 Available at http://www.iitr.ac.in/3inetwork/html/reports/IIR2009/IIR_2009_Final_July%2009.pdf Accessed June 17 2011

¹⁵⁹HIDCO Project Report (1999: 38) "The existing settlements will not be disturbed by the New Town project excepting about 200 households in the entire Project area. Adequate rehabilitation and resettlement facilities will be provided".

livelihoods and yet were not part of the official R&R program¹⁶⁰ of the government. The lack of non- monetary compensation, especially in the form of alternate employment for the affected populations, and narrow definition of a 'displaced' population, added to the unhappiness of the displaced population about how their livelihoods had been valued only in terms of a compensation price for the land (Field interviews 2008). Moreover, HIDCO's 'rehabilitation' efforts did not reach the majority of even those that qualified within the narrow definition of 'displaced' within the existing legislation, as the CAG audit (2007: 17) highlights:

“Rehabilitation of project oustees was not adequate, as only 17 *per cent* of identified Project Affected Families, whose dwelling units had been acquired, were rehabilitated”.

(Paragraph 2.1.15)

The relative rates of compensation, legally defined within the Land Acquisition Act, may be argued to have an urban bias, as it favors a consumption oriented landuse, over a productive one. In an urban scenario, the most poorest use their place of shelter (and by extension housing) as their main spatial anchor within the city, even if they have to be constantly mobile regarding their place of employment. Within an urban scenario, privileging a place of residence in terms of compensation value, may potentially mitigate the effects of displacement for low income and vulnerable populations, especially if adopted as official policy in urban slum clearance drives. However, in a rural scenario by contrast, the agricultural fields are the main anchor for families.

¹⁶⁰For a more detailed discussion see Emani, A. (2009) “Rehabilitation and Resettlement Policies: A Comparison of National and Multilateral Agency Policies and Issues in Implementation” in India Infrastructure Report, Oxford University Press, 103-110 Available at http://www.iitk.ac.in/3inetwork/html/reports/IIR2009/IIR_2009_Final_July%2009.pdf Accessed June 17 2011

While being displaced from their houses may be difficult, it is relatively less destructive to their livelihoods¹⁶¹.

The CAG (2007: 17) also highlighted other malpractices associated with the compensation price at Rajarhat:

“While determining the market price of 635.13 ha of land in four¹⁶² mouzas, the LAC, at the instance of the Company and the Department, fixed the rates at two to 41 *per cent* below the prevailing market rates worked out on the prevailing rates of 1995.

Consequently, 26,565 land owners were deprived of Rs 33.45 crore from 1998 to 2002, calculated at 1995 price loaded with five *per cent* premium *per annum*. Incidentally, the Company/ WBHB had also directly purchased (1996 -1999) 42.88 ha of land at Ghuni and Thakdari *mouzas* for Rs 4.02 crore. Had this land been purchased at the prices calculated above, it would have worked out to Rs 6.04 crore. At Gopalpur *mouza*, the LAC acquired 73.52 ha of land at the rate of Rs 16.72 to Rs 50.29 lakh per hectare after depreciating the rates as per sale records of 1996. The LAC ignored the current market value of Rs 25.54 to Rs 76.62 lakh per hectare determined on the sale rates for 1995.

Consequently, 3,012 land owners were deprived of Rs 16.89 crore.” (Paragraph 2.1.14, pg. 25)

¹⁶¹The land acquisition process at Rajarhat has been steeped in violence, involving multiple arms of the state and the CPI(M)'s party machinery. The following are some of the stories from English- language media available online:

“India's Worst Land Grab” (available at: <file:///Users/sudeshnamitra/Documents/Secondary%20data-%20consolidated/News%20articles/Kolkata/India's%20Worst%20Land%20Grab.webarchive>)

“Rajarhat Land Grab Model” (available at http://www.telegraphindia.com/1090907/jsp/calcutta/story_11459120.jsp)

“Landless but not powerless” (available at: http://articles.timesofindia.indiatimes.com/2011-03-12/kolkata/28683669_1_jyoti-basu-nagar-cottah-rajarhat-new-town)

¹⁶²Ghuni, Thakdari, Raigachi and Recjoani

And in summation:

“The Company (West Bengal Housing Infrastructure Development Corporation Limited) had not fixed fair and reasonable market prices for land to be acquired under the Land Acquisition Act, 1894, leading to short payment of Rs 50.34 crore as compensation to land owners and also making excess payment of Rs 67.58 crore to the land owners of three mouzas. (Paragraph 2.1.14)

Kolkata- Urbanizing Wetlands in the Eastern Urban Periphery

Kolkata is one of the few cities in the world that does not use a man-made sewage disposal system. It is a unique case, much documented, where the wetland system the city adjoins is harnessed to clean urban sewage (Ghosh and Sen 1987, Ramsar Convention on Wetlands 2002). This unique property of the Kolkata wetlands and the huge savings it means to the city on a daily basis has been extensively researched (Chattopadhyay 2001, Ghatak 2005, Bose 2008, Dey 2008) and pre-dates the current controversy¹⁶³, regarding the exact delineation of the boundaries of the eastern Kolkata wetlands. State government experts claim that Rajarhat is not part of the eastern Kolkata wetlands (Field interviews 2008)¹⁶⁴, while non-government (and ex-government) experts claim that geologically there is no difference between Rajarhat and the eastern Kolkata wetlands and development to the east of the city raises a range of issues.

¹⁶³See Dembowski (2001: 83-141) “Taking the State to Court” for a detailed review of the controversy as it has played out in the courts, Available at <http://www.asienhaus.de/english/index.php?LINK=6&ULINK=4&UULINK=0> Accessed 17th June 2011

¹⁶⁴These include interviews with HIDCO officials and with Dr. Dhruvajyoti Ghosh, who was instrumental in the designation of the East Kolkata Wetlands as a RAMSAR protected site. He holds the view that the Rajarhat development is not part of the East Kolkata Wetlands.

The current framing of the controversy in terms of wetland boundaries is recent and has become significant with Rajarhat becoming the West Bengal government's flagship project targeting external investors. Roy's concept of 'unmapping' which she describes as “constant negotiability of land rights, property titles and landuse” is very relevant. She argues, with reference to Kolkata, “territorialized uncertainty guarantees territorialized flexibility of the state” (2009). Older planning documents such as the 'Basic Development Plan', identify the city's eastern periphery (leading into the Bay of Bengal) as possessing wetland characteristics and therefore not to be developed. Instead the Plan proposes development to the north and south of the city. However as Subrata Sinha, the former Deputy Director General of the Geological Survey of India, points out, the success of Bidhannagar as a real estate project cleared the way for further urbanization eastwards:

“In the fifties, B.C. Roy abandoned his Kalyani dream in favour of the Salt Lake City wetlands reclamation nightmare, for which he commissioned the Yugoslav contractors Electros and, unfamiliar with the natural setting. Its a pity that he did not stick to the excellent, terrain compatible 'Basic Development Plan' of the erstwhile Calcutta Metropolitan Planning Organisation. This opened the floodgates for accelerated decimation of the invaluable eastern wetlands. Virtually, a new agglomeration has spawned, stretching from Rajarhat in the north to Baruipur in the south, with a 'no holds barred' construction spree. With some deltaic rivers originating in Rajarhat, besides being on the path of overland monsoon flow from the north, further urbanization must be banned there. Besides, critical drainage, flood easement, conservancy and health problems linked to south-eastwards growth, shift towards the delta shall generate salinity

problems besides unpredictability and quality of groundwater. The unique Sunderbans' multifunctional ecosystem with mangroves swamps, forests, wildlife, fisheries and genetic diversity will be crippled; with exposure of Kolkata region to the ferocity of cyclones and hurricanes. There also shall be obvious traffic management, economic and pollution problems by moving away from the hinterland” (Sinha 2005).

A PIL filed against urbanization to the east of the city, by PUBLIC¹⁶⁵ (People United for Better Living in Calcutta), a Kolkata based NGO in the 1990's, succeeded in saving part of the wetlands (see Ghatak 2005¹⁶⁶), but was unable to bring about a ruling against urbanization in general on the city's eastern periphery (Sinha 2005). HIDCO's map (collected during field research and not available in the public realm, attached below), show the wetlands ending abruptly at the border of the Rajarhat New Town.

¹⁶⁵For an overall timeline of PUBLIC cases pertaining to the East Kolkata Wetlands see http://www.rainwaterharvesting.org/kolkata/kolkata_wetlands.htm Accessed 17th June 2011

¹⁶⁶Available at <http://www.indiarightsonline.com/Sabrang/india7.nsf/7215f99d277175f3e5257713005df697/83a1383f0f4aa62b652570de007d61ed?OpenDocument> Accessed 17th June 2011

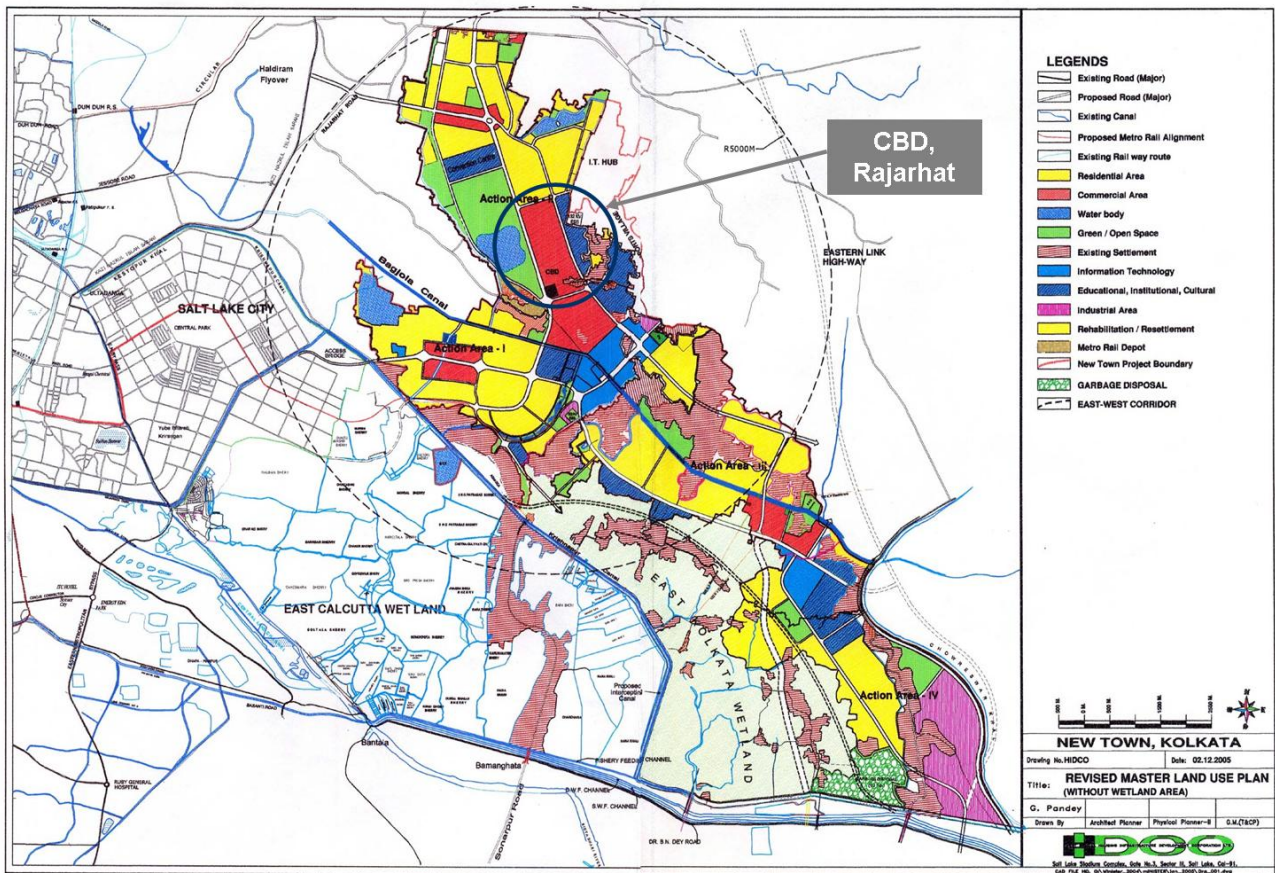


Illustration 25: HIDCO map of New Town showing boundary with East Kolkata Wetlands

The farmers and fishermen from the area affirm that the area acquired for Rajarhat New Town comprised of extensive 'bheries' or fisheries, which merged with farming lands (Field interviews 2008). Older maps reveal a large water-body called 'Dhupir Bil' at the center of the area designated for Rajarhat New Town. Legally wetlands cannot be converted to residential or commercial land use. Numerous stories and photographs taken by farmers of the area reveal that both private land consolidators and the government resorted to overnight dumping of clay into shallow 'bheries', land areas with water close to the surface and fields with standing crops. This land was then officially registered as horticultural land. Land used for horticulture through due

process can be converted to residential and commercial use (Field interviews 2008). Rajarhat still possesses many water bodies as current photographs of the area, reveal.



Illustration 26: Thin layer of clay deposited over water bodies at Rajarhat (Photo SM 2009)



Illustration 27: Waterbodies at Rajarhat (Photo SM 2009)

The framing of the wetland controversy as a boundary issue, diverts attention from deeper issues, such as the networks of waste, water and food exchange between the urban and periurban areas of Kolkata essential for the city's long term ecological health, being ignored in public policy and emergent development paradigm. Sinha (in personal interview 2008) highlighted that the development of Kolkata's north- east periphery may mean possible flooding in the main city. The populations and livelihoods that sustain the wetlands and allow it to function as Kolkata's 'kidneys' face the possibility of being forever wiped out, as the people are evicted and priced out by the parallel land market created in the area. With the loss of these livelihoods, their function will have to be replaced by a formal (more expensive) infrastructure facilities to replenish and sustain the wetlands if the city's long term ecological health is to be sustained. These facilities

would also introduce user fees, and as such questions of affordability and who can afford the new urban services etc.

The conversion of Kolkata's northeast periphery from agricultural/ fishing lands to high-end developments, highlights a sharp redefinition of Kolkata's urban land markets. Since, urban land markets are not simply financial metrics to assess relative urban rents that may be extracted, but also structure social and economic activities/ systems of exchange that a particular urban land parcel may sustain, skyrocketing rents on the urban periphery have restructured social and economic relationships between urban and periurban areas of Kolkata. Activities that have been affected include production of food for the poorest of Kolkata, the area's capacity to absorb waste, drainage capacity to prevent flooding of the main city, production activities sustaining a marginal population outside the urban cash economy, etc. Many of these relationships are critical for the long- term (social and ecological) sustainability of the city. As such, the need for alternate interpretations of land value at Rajarhat go beyond simply being a land market issue and right to the heart of urban sustainability issues for Kolkata.

In a city where half the urban population falls into the official definition of 'poor', the destruction of economic systems that sustain a marginal population are harder to write off with the promise of 'trickle down' theories (that conveniently leave long- term effects to the imagination). The so-called formal sectors of the economy in Kolkata are already too limited and too rigid to address the economic requirements of most of Kolkata's population. 'Globalized' enclaves spell an even more exclusionary and hyper formal economy. In addition to creating parallel land markets

where the speculative and high end of the market is privileged by the state, these enclaves absorb public attention and funds and encourage an institutional feedback system, which creates an ever- widening reality rift between the discursive practices of making 'globalized' spaces material and the actual improvement in the economic and social conditions of the majority of the city's populations¹⁶⁷. Also as Rajarhat exemplifies 'trickle down benefits', may manifest in the form of self- sufficient productive households sustaining a lifestyle comparable to low middle income urban families in Kolkata, being partially reabsorbed in low paying, low- end service jobs and being integrated into Kolkata's urban cash economy that pushes them closer to official definitions of the 'urban poor'.

The Rajarhat project in Kolkata highlights the unequal power relations in situations where the state participates in rewriting the highest and best use value of land, previously deemed marginal¹⁶⁸, on a large scale. The violence associated with this rewriting, materialized through state acquisition of land and subsequently enforced through zoning and other planning regulations remains the invisible and silenced backdrop for the image and content of urban development being 'globalized' in Indian metropolises. It also acts as an example for the 'globalization' project in India being pushed through (supported by increasing political rhetoric from both the public and private sectors) by a separation between economics and politics in the public realm, as expert- led 'development' is deemed a 'public' good without public participation or assessment/ recompense for associated social/ ecological costs. Despite glaring problems, the

¹⁶⁷People buying into Rajarhat are NRIs and other '*probashi*' bengalis (the term used for those that have migrated away from West Bengal to other parts of the country and the world).

¹⁶⁸The north east periphery of Kolkata was put in a separate category outside urban development interest in the city's first generation planning documents such as the 'Basic Development Plan' (1996-86), because of its wetland characteristics. This area was also used to resettle Bangladeshi refugees after the war with Pakistan.

Rajarhat project has been held up as a standard of CPI(M)'s 'efficiency' in 'getting things done' and the model of land acquisition used as Rajarhat recommended for other projects on the periphery involving the clearing of already inhabited areas for new developments, such as the 4800 acre, INR 33,000 crore DLF Dankuni project¹⁶⁹. Jyoti Basu publicly endorsed the 'Rajarhat model' of land acquisition when problems with land acquisition surfaced in Singur and Nandigram under Bhattacharjee's watch in West Bengal.

Hyderabad- Disappearing Water, Disappearing Farms in the Urban Periphery

In Hyderabad the extent of land consolidation in the urban periphery, for real estate and infrastructure projects, has been on a scale several times of that in Kolkata. The ORR project extends the 'urbanizable limits of the city 2.5 times. The rapid rise of real estate interest and consolidation of peri- urban lands by the public and private sector has significantly affected the livelihoods of existing populations in the peripheries, as well as the water recharge capacity of the periphery. Development interest has eaten into the numerous lakes and their catchment areas in the peripheries, crucial for water recharge in the arid region, and central to Hyderabad's urban water supply arrangements (Ramachandraiah and Prasad 2003, Sreoshi 2010).

Hyderabad is located in the arid Telangana region. Through history, the city was kept supplied with water by successive rulers through the creation of tanks, bunds and lakes that stored and sustainably recharged the area's water table. The water quality was kept so high that the Nizam sent it as a gift to Mughal rulers in Delhi, in pre- British times. More recently as the demand for water has escalated with growing population and intensive development projects with high water

¹⁶⁹See <http://www.business-standard.com/india/news/rajarhat-model-to-be-used-for-land-acquisition/287771/>

demands, successive state governments have in tandem become more disinterested in the preservation of the city- region's history of water storage and sustainable recharging. Development and real estate speculation in Hyderabad's peripheries have destroyed and significantly reduced the number of surviving water bodies in Hyderabad's peripheries, as well as unloaded toxic and unprecedented amounts of polluting matters and toxic wastes into the region's hydrological system (pharmaceutical companies in Patancheru have been some of the worst offenders). As discussed in the previous chapter, the state has colluded with private development partners in high profile projects such as the new international airport at Shamshabad (with 40% of its assigned area falling within the catchment zone of Himayatsagar lake, one of the primary sources of water for the city) to side- step the critical environmental concerns of water availability for the city (Ramachandraiah and Prasad 2004, Sreoshi 2010).

The steady build-up of a real estate market in the peripheries of Hyderabad, since the 1980's has also meant that agriculture has progressively become financially unfeasible (see details in the next section), over a larger shadow zone around the city. Even though material demand for consolidated real estate holdings have not materialized, the loss of agriculture in the area has intensified food security concerns for the substantial periurban population subsisting on agriculture, made vulnerable by the poor quality of agriculture possible in the arid Telangana region, loss and pollution of ground water and rising threat from a speculative land market (Ramachandraiah and Vedakumar 2007, Sreoshi 2010). Small and medium scale real estate brokers and relatively volatile real estate markets, which appreciated steadily until the recession hit, meant that farmers increasingly found it more profitable and/ or commonsensical to sell their

land and move to the city to find alternative livelihood. The steady appreciation of a real estate market, lent the process a certain sense of inevitability that many farmers considered pointless to hold out against (Interviews with affected villagers 2009). Further as described before, the Telangana region, in which Hyderabad is situated, is an arid region where agriculture has historically been a low return economic activity (Interviews with affected villagers 2009).

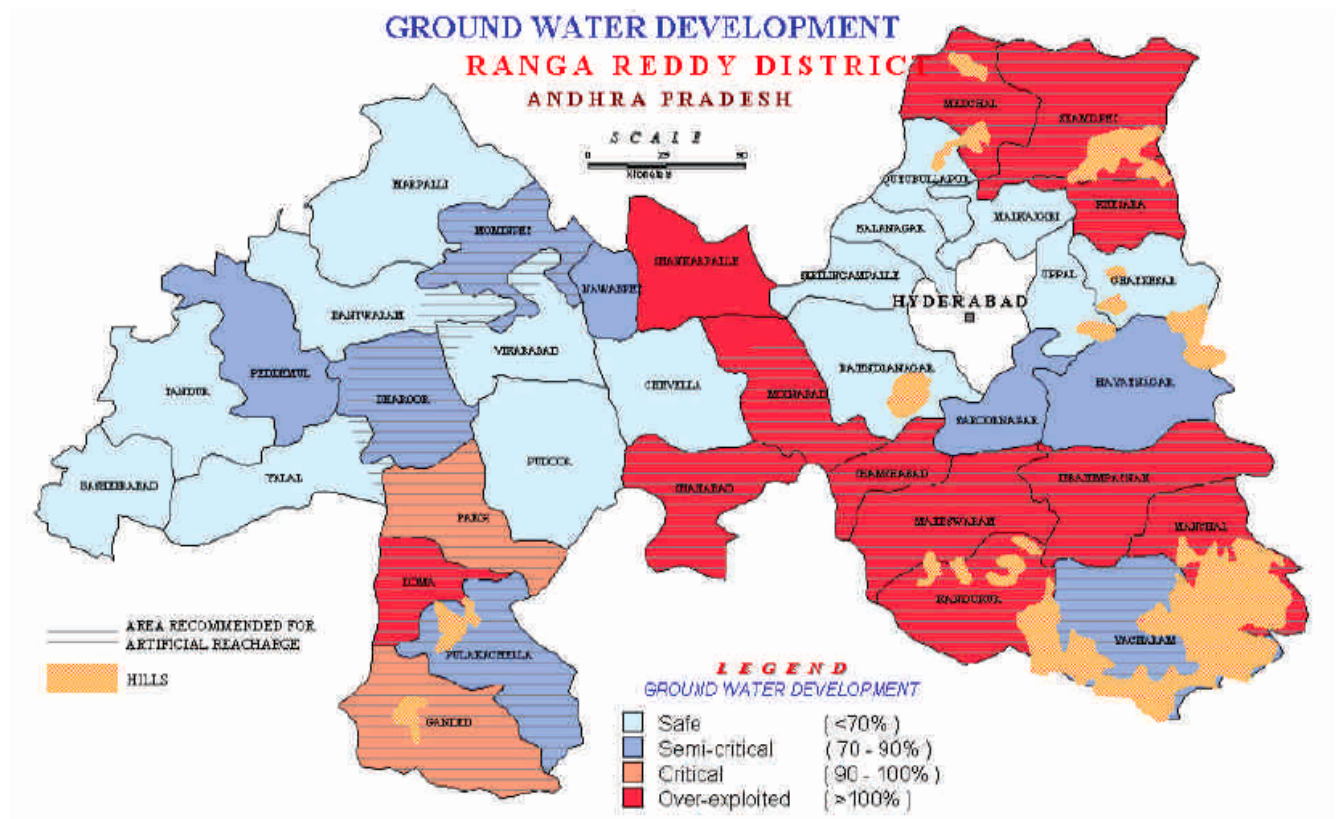


Illustration 28: Ground water conditions around Hyderabad

Source: Sreoshi 2010 based on data from CGWB Government of India, Southern Region 2007

Economically, transplanting agricultural activity has therefore been relatively simple.

Ecologically however, this transplanting has added to the city's water management problems. To

undertake agriculture in an arid region, meant that agricultural families in the region had historically been some of the most important actors involved in rain water harvesting and sustainable water management techniques that allowed the region to replenish its water table (Ramachandraiah and Vedakumar 2007). The transplanting of active agricultural lands into passive real estate holdings has effected the water management in the entire region. With the passing of even one generation the water management knowledge and techniques that had allowed the water system of the region to remain sustainable historically, has been lost. During Naidu's tenure, the loss of water bodies and loss of water management practices in the periphery of Hyderabad consolidated into an acute water crisis for Hyderabad, when the monsoons failed in 1999-2000. The crisis was so acute that Naidu considered a variety of schemes, including a proposal to recycle water from the land locked reservoir called Husainsagar at the center of the city, which has over the years turned into a receptacle for urban waste. Easy access to World Bank funds meant that the official response to the water crisis favored high- cost, high- technology 'solutions' such as diverting water to the city from mega- dam projects.

The other less investment- focused scheme was a government sponsored water management project called 'Neeru Meeru' ('Water and You'), launched in 2000, focusing on improving water recharge in the worst affected districts of the state as well as desilting existing tanks and lakes¹⁷⁰. A component of this project included “construction and revival of watershed development structures, including checkdams, contour trenches, rock-filled dams and gully bunds”¹⁷¹. While the government claimed success in bringing the water table back to pre- drought conditions¹⁷²,

170See <http://www.hinduonnet.com/2001/05/02/stories/0402403j.htm>

171See http://www.rainwaterharvesting.org/crisis/Learningfrom_drought.htm

172See http://articles.timesofindia.indiatimes.com/2002-02-09/hyderabad/27119036_1_neeru-meeru-mandals-

independent observers highlighted that the project became a vehicle for political deal-making with private contracts being handed out to builders and contractors rather than rural communities being made partners in the water management projects¹⁷³. With the ending of drought like conditions and the end of Naidu's tenure, the scheme was faced with roll-backs and at the time of my conducting fieldwork, the project was slated to be shut down (Field research 2009).

Spillover from the Peripheries to the Main Cities

The transformations of Kolkata's and Hyderabad's peripheries have occurred within a broader context of the two state governments trying to makeover their own image and the image of the capital cities as being investment and business friendly. While the peripheries of both cities have been a magnet for physical transformations associated with the project of liberalization, yet by no means have the changes been restricted to the peripheries. The 'old economy areas' of the main cities have also been affected. While the physical and spatial transformations have been limited in spatial scale, in the main city, especially when compared to the peripheries, the conflicts over production of space have been far more explicit and better publicized in the public realm. In both Kolkata and Hyderabad, the aspirational urban landscape of the peripheries, actuated by external investments, have spilled into the main city, in the form of malls, high end housing, multiplexes, new flyovers etc., and established a competitive relationship to existing economic activities and populations, often subsuming and replacing them as the city managers privilege the aspirational landscape elements as adhering closer to their conception of a 'world

[groundwater-level](#)

¹⁷³For a detailed report on AP's NEERU MEERU project by a researcher (Binayak Das) from the Delhi based Centre for Science and Environment (CSE), which actively promotes community-based water management and water harvesting, as a part of its Campaign to Make Water Everybody's Business see http://www.rainwaterharvesting.org/crisis/Learningfrom_drought.htm Accessed 17th June 2011 (also published in Down to Earth Jan 15 2000)

city'. New malls and multiplexes have been built either through urban clearance projects or on areas that were designated as un- buildable before (Roy 2004). The following section highlights some iconic projects in Kolkata and Hyderabad, central to the 'globalization' projects in both cities, to highlight the ways an aspirational landscape has been super-imposed, often through what Gidwani (2006) highlights as “valorization of elite informalities and criminalization of subaltern informalities” (Gidwani's thesis is with regard to investment- led development, within a climate of market- based reforms). The examples highlight how the remaking of Kolkata and Hyderabad in a more 'global' image has frequently been achieved through active destruction/ displacement of existing economic and ecological systems, sustaining the most marginalized populations in the cities.

Musi River Project in Hyderabad: Commercial project with environmental branding

The Musi River in Hyderabad is another example where the conflict over production of space became explicit. The river flows through the city and over the years has become an easy dumping ground for city waste. In 1998, the Naidu government hired EPC to draw up a Riverfront Development plan. The plan also called the Nandanvannam project, was a beautification and economic regeneration scheme for the Musi River. The proposals included creating a narrow concrete channel through the center of the river- bed for water and 'reclaiming' the rest of the river basin for commercial and recreational riverfront activities¹⁷⁴, clearing more than 20,000 people living in 13 slums along the river banks in the process. As mass evictions started, civil society groups across the city galvanized and came together for Hyderabad's most successful public mobilization campaign raising questions about the government's proposal and

174See <http://www.hinduonnet.com/thehindu/2000/06/15/stories/0415403i.htm>

highlighting that the new plan did not do anything for the rehabilitation and conservation of the Musi River, but was rather a blatant attempt to bring a substantial portion of the cities land, used by the city's poorest for shelter and economic activities under commercial development. The public protests also highlighted that the project had been accepted without an Environmental Impact Assessment (EIA) and a Environmental Public Hearing (EPH), both statutory requirements. Finally the efforts of the public mobilization paid off when the River flooded its banks in 2000 and drowned the narrow concrete channel that had already been constructed (see picture from the local newspaper Eenadu below). At the time the project was shelved. In 2005, under the YSR (Congress) government, the project was revitalized, under a new name 'Save Musi River'. The new plan has extensive plans for a Heritage Zone, a Commercial Zone, entertainment zone, a new IMAX theater etc. and also involves mass evictions of slum dwellers along the river channel. The plan is currently underway despite mobilization of citizen groups¹⁷⁵.



Illustration 29: Flooded Musi river- bed with the narrow concrete channel constructed through it. (Photo courtesy: Eenadu)

¹⁷⁵See detailed chronology of events on the website of the “Forum for a Better Hyderabad”, a large citizen-mobilized NGO that was involved with the mobilization around the Musi river project and continues to work on it: <http://www.hyderabadgreens.org/musi.html>

South City in Kolkata: “Live the way the world does”

In Kolkata, South City (logo: Live the way the world does)¹⁷⁶ exemplifies the profile of high end integrated development that has become the aspirational 'normal' in Kolkata. The integrated residential township, developed over 31 acres of land, is home to India's largest retail mall with over a million sq. ft. of retail space. The mall is home to high- end Indian and foreign brands. The 1600 apartments that are part of the project are some of the highest priced residential apartments in the country. In a real estate market famously characterized as stagnant in the Indian context, South City apartment prices range between USD 200,000 to more than USD 550,000¹⁷⁷. The targeted population are NRIs and the city's super- rich. While the profile of the South City development is at odds with the most of Kolkata, the controversy over the project is focussed more on the 'informalities' associated with the project process, which were nonetheless officially ignored or written off. Despite being deemed 'illegal' by certain departments of the state government, the project was pushed through. The controversy is also about the development alternative that the South City project replaced.

The project is built over a brownfield site, where the Usha factory (manufacturers of a popular brand of sewing machines) had once been. The Usha factory employed over 7000 people and the factory shutdown had spelt a major economic blow for the city. The state had made a long-standing commitment that the land would be given to Apollo Hospital and a pharmaceutical factory, both projects seen as major new employment opportunities for the city. Controversy erupted when the land was given to South City developers instead. The South City developers

¹⁷⁶ See http://www.southcityprojects.com/southcity_overview.html

¹⁷⁷ See http://www.southcityprojects.com/sc_price.html

forcibly evicted Shambhu Prasad Singh, an employee of the Usha factory still living on the land, awaiting compensation and demolished the remaining employee housing on the property¹⁷⁸. Further, the developers filled up 1.31 acres of Bikramgarh jheel, a prominent water body of South Kolkata, and the primary drainage catchment for the area for construction activities and dumped construction rubble into the water-body¹⁷⁹. The project ignored the Supreme Court directive (1995) that any new urban project developed over 5 hectares of land would allocate 65% of project area to trees and gardens, to be managed by the city's Municipal Corporation, with 35% of the land to be used for construction (Ray 2006¹⁸⁰). Despite street protests¹⁸¹ and official sanctions including the state fisheries board issuing a formal notice to the project for breaking rules. A committee set up by the State Pollution Control Board officially recommended the project be shut down for environmental violations¹⁸². However, the project continued, with the State Board shielding it from other state departments. The South City project has also run into protests from its own residents who have moved in. 300 of them protested in June 2010 wearing t-shirts bearing the logo “Betrayed by South City promoters”, with grievances ranging from lack of civic amenities and security to violation of the terms and conditions in the deed of conveyance¹⁸³.

178For articles on the protests against the South City project see <http://sanhati.com/excerpted/1183/#0> Sanhati is an activist organization.

179For more on Bikramgarh Jheel see 'An Interface on Development of Bikramgarh Jheel' available at <http://vasundhara.webnode.com/news/interface-on-development-of-bikramgarh-jheel/> organized by Vasundhara Foundation, a prominent NGO involved with conservation of water bodies in Kolkata and Center for Urban Economic Studies, Calcutta University

180Mohit Ray's article “Once there was a Jheel” in Statesman Sunday Supplement, August 2006. Later reprinted in edited form in Annual Survey of Environment Kolkata 2006

181See <http://housingstruggles.wordpress.com/2009/01/02/kolkotha-sambhu-singh-vs-south-city-the-battle-against-corporate-retail-and-real-estate-in-a-microcosm/>

182See <http://mail.sarai.net/pipermail/reader-list/2007-October/010838.html>

183See http://www.telegraphindia.com/1100614/jsp/calcutta/story_12562999.jsp



Illustration 30: South City Residential Towers (Courtesy: South City website)

Restructuring the Retail Sector in Kolkata

City governments in both Kolkata and Hyderabad have escalated city- cleaning drives to remove informal retail markets, informal service industries such as garages and repair shops and informal housing (Shaw and Pandit 2001, Roy 2002, Roy 2005). The CPI(M) government's 'Operation Sunshine' to remove hawkers from the streets of Kolkata in 1996, predate the transformations of the peripheries, through iconic sub- cities. Yet they have been included in the analysis about the 'globalization' project in Kolkata, because the drive represent the government's early attempts to 'clean up' the image of the city and make it more attractive to external investors. In cities like Hyderabad and Kolkata, the informal sector employs and sustains the majority of the cities' population (Shaw 1985). The informal sector is large and diverse and offers economic options to the cities' poorest, most vulnerable, marginalized but economically productive populations, that do not receive economic policy attention, beyond poverty alleviation programs (AlSayyad 2004). The informal sector is one of the most visible attempts of the cities' poorest to produce space to

economically survive, while sustaining the urban economy through products and services. The example of the retail sector is especially pertinent, because pre- liberalization the sector represented the economic lifeline for a large proportion of both the rural and the urban poor within the Indian economy. The sector is linked to agricultural markets on one end and urban retail markets, on the other. The Indian retail sector is dominated by small format retail stores, comprising of mostly neighborhood family- run stores and a large and thriving informal retail sector. “Modern retail chains only account for 5% of retail sales, compared to 65% in the US, 55% in Malaysia, 40% in Thailand and 10% in China” (Economic Intelligence Unit 2010)¹⁸⁴. City cleaning drives to remove, destroy and progressively deem illegal the informal economy of the city, represent a direct intervention by a state to take away agency from a certain class of people, to produce space, within the urban economy, despite the predominant role they play in sustaining that economy.

Mitchell's (1997) analysis regarding the 'annihilation of space by law' that follows the efforts of local governments to create 'certain kinds of spaces' that capital prefers, to further perpetuate 'annihilation of space', this time through “a legal remedy that seeks to cleanse the streets of those left behind by globalization and other secular changes in the economy by simply erasing the spaces in which they must live – by creating a legal fiction in which the rights of the wealthy, of the successful in the global economy, are sufficient for all the rest” (7) is particularly relevant in this case.

¹⁸⁴Available at http://www.eiu.com/index.asp?layout=ib3Article&article_id=337162218&country_id=1570000157&pubtypeid=1122462497&industry_id=&category_id=775133077&rf=0

Kolkata's 'Operation Sunshine', was launched by the Kolkata Municipal Corporation (KMC) in 1996 to remove street hawkers from Gariahat and Shyamabazaar areas, two historically significant informal markets in Kolkata. In a follow-up, hawkers were banned from 21 streets across the city. The drive that put hundreds of small scale retailers from the informal sector out of business, provoked a reaction even from the Police Commissioner of Kolkata, who had been responsible for the drive, “(the drive)... was conducted without making any alternative arrangement for them, though Kolkata police and other stakeholders had prepared an elaborate plan in advance to allow hawking without creating impediment to public convenience” (Dey and Dasgupta, 2010)¹⁸⁵. The official R&R program for the displaced hawkers involved building a multi-storied walk-up building to accommodate them. However, a multi-storied walk-up structure misses the dynamics associated with shopping at an open-air informal market. Most of the upper floors of the new structure remain unoccupied to date. Davis (1992) comments about new buildings to accommodate 'squatters' (in the context of homelessness) as 'criminalization and institutionalization'. This is useful lens for analyzing local governments' approach to informal retail in India. Various policy directives concerned with the image of the city have over time attempted to criminalize informal retail activities, which in themselves may be on shaky legal grounds and hard to enforce, but with the construction of new buildings to accommodate informal markets, the state is able to institutionalize their initial decision to criminalize informal retail, within the broader rubric of 'encroachments', a legal premise with stronger options for enforcement.

¹⁸⁵Available at <http://frontierweekly.com/pdf-files/vol-43-23/hawker-43-23.pdf>

Meanwhile the 'globalization' attempts in the retail sector has been strong. As highlighted before, the IT sector (led by NASSCOM and McKinsey) has been a strong and vocal advocate for the liberalization of the Indian retail sector. In 2012, FDI was finally allowed into the retail sector. Destination developments such as retail malls and multiplexes, following a Euro- American design format and business model, over areas ranging from 75,000 sq. ft. to a million sq. ft., are the tip of the iceberg of a much deeper and absolute economic transformation of the retail sector. As the Economic Intelligence unit report, “India: Consumer Goods and Retail Report” (2010) highlights, the Indian retail sector is slated to grow to a USD 871 bn business by 2014¹⁸⁶. The presence and demands of international retailers such as Walmart and McDonalds, adopting entry strategies ranging from a partnership to a licensee- franchise route, has accelerated the transformation of the Indian retail sector, as has the increased interest of major Indian industrial corporations such as Bharati Retail, Reliance Industries, the TATA group and the Aditya Birla group in the retail sector:

“Wal-Mart, which operates its cash-and- carry outlets as a joint venture with India’s Bharti Retail, is expected to open hundreds of retail stores should the restrictions be lifted¹⁸⁷... Local operators in India, however, are expanding at a rapid pace. Bharti Retail plans to increase its Easyday supermarket operations to 125 and Easyday hypermarket operations to 13 by the end of 2010 – up from 60 and 6 respectively in June 2010¹⁸⁸– and will invest more than US\$2 billion to expand its presence across India by 2015¹⁸⁹” (PWC 2011: 8)

186 Available at http://www.eiu.com/index.asp?layout=ib3Article&article_id=337162218&country_id=1570000157&pubtypeid=1122462497&industry_id=&category_id=775133077&rf=0 Accessed June 17 2011

187 “Wal-Mart may open hundreds of India stores if foreign restrictions lifted,” Bloomberg.com, 22 Jul 2010

188 “Bharti Retail to double store count by year-end,” The Economic Times, 1 Jun 2010

189 “Bharti Retail in aggressive mode,” The Economic Times, 8 Oct 2010

Both international and domestic corporate retailers have been eager to integrate the retail supply chain from initial procurement to final sale, thus increasing corporate control over agricultural produce in terms of price, growing patterns and storage, on one end of the chain, and on the consumer price index and emerging spatiality of the urban economy, transformed by malls and multiplexes, on the other. The monopolistic pressure to corner agricultural markets through buying up scarce cold storage facilities etc. have become hot buttons in recent times, as international cash and carry businesses such as Carrefour (France), Tesco (UK) and Metro (Germany) eye the Indian market.

In 2009, a National Policy on Urban Street Vendors has been approved by the GoI, that terms “street hawkers as 'micro-enterprises' and recognizes street vendors as an integral and legitimate part of the urban retail trade and distribution system. Accordingly, the starting point for this Policy is the recognition of the positive role of street vendors in providing essential commodities to people at affordable prices and at convenient places. As the street vendors assist the Government in combating unemployment and poverty, it is the duty of the State to protect the right of these micro-entrepreneurs to earn an honest living. This Policy recognizes that to be able to practice any profession or to carry on any occupation, trade or business is a fundamental right of every citizen of India.” (Dey and Dasgupta 2010)

Informality to Welfare: The New Legal Space for the Urban Poor?

The separation between the 'global and the non- global in public policy within the new development paradigm is starkly visible in the way that policies and programs meant to improve

the economic and social well-being of low income and poor households, have explicitly and exclusively turned into poverty alleviation programs. The programs focus on the poorest, and/ or provision of basic services to informal spaces of the city within a discourse of 'welfare' (for example the explicit sub mission II of JNNURM, see Appendix). This starkly separate approach towards the urban poor ignores the dynamic economic role that low-income populations play in sustaining the urban economy¹⁹⁰ and completely bypass the urban reality of cities such as Kolkata and Hyderabad, where the majority of the urban populations may be classified as poor or low-income. The daily lived social, economic and political spaces of Kolkata and Hyderabad are a far cry from the advertising images evoked by the term 'world cities'. The lived experience of metros such as Kolkata comprise of historically created and daily reinforced realities of high population densities, high traffic volumes, daily (as well as more long-term) rural urban in-migrations and travels, large role of the informal sector in the urban economy, public infrastructure that is both strained and old, and a large proportion of the cities' populations that use pavements and public spaces to live, work and play. Even as the spaces and realities of the main city are produced by and continue to sustain and socially reproduce the ever-morphing diversity of populations and their needs in Kolkata and Hyderabad, an active form of urban life that Roy (2011), characterizes as 'subaltern urbanism', these spaces and realities are unregulated by any central authority and are complex multi-layered systems that are difficult to categorize (Roy and AlSayyad 2004).

¹⁹⁰Benjamin, S. (2008) describes this as, “developmentalism, where poverty is ghettoized via programs for 'basic needs', allowing the elite 'globally competitive economic development’”. He goes on to argue that poor groups however use such programs to open up political spaces to reclaim territorial claims on the city, especially as vote-bank politics comes into play during elections in competition to pressures of elite-driven liberalization of urban spaces.

Incomprehension of the diversities of dynamic informalities that sustain the majority of people in cities is definitely a major issue for planners in India (often trained in Euro- American planning traditions). Nonetheless, trying to formalize these diversities by relegating the majority of the cities' population to a welfare agenda is extremely short- sighted as a policy prescription. Roy (2003: 472) summarizes from Boyer (1987), Wilson (1991) and Hall (1996) that the ideas of ordered public urban life have 'geographical roots in and Anglo- American modernity that took hold in the transition from the 19th to the 20th century and whose social technologies were perfected in the context of urban growth and urban poverty.' These transplanted ideas misjudge both the 'urban poor' of Indian mega-cities, who use public spaces as places of employment and social reproduction and the urban informal sector in these cities, which contributes substantially to the urban economy and is an economic phenomenon quite separate from the Anglo- American urban model at the turn of the century, where the means of production were under pressures of centralization and the role of the urban poor within the urban economy was reduced to simply being a pool of surplus labor. In the Indian context, the intentional blindness of planners and urban managers towards the existing economic and social dynamics of Indian cities is dangerous for it results in a shift in policy focus and content, which not only leaves low income populations operating small scale retail, transportation and service operations without institutional support, but progressively deems them 'illegal', subject to urban clearance and beautification schemes, increasing the likelihood of these populations descending into the official category of the 'urban poor'. The state's aspiration to create 'world cities' progressively sets up institutional conditions to take away agency from the city's low income populations to produce urban space and economically sustain themselves.

Often cleaning drives associated with 'globalization' projects and the progressive barriers put in place against small scale enterprise are packaged within environmental concerns for the urban quality of life, which makes these drives popular with the aspirational middle and high income classes, even if there are questions regarding how the city will continue to function without these activities and/ or the glaring social justice issues.

A particularly evocative example of state- driven 'global' makeover, with an environmental tag, at the cost of marginal economic activities, is CPI(M) government's decree made in December 2008 that on January 1st 2009, all three wheeled autos in Kolkata would become illegal, since they were a pollution hazard for the city, following High Court orders to ban these autos. While the environmental concern was real and the issue was complicated by the extensive mafia-like system operating within the business, in which both the CPI(M) and CPI(M) union CITU, was complicit, the overnight decree ignored that three wheeled autos were the lifeline of the city and the queues for these autos during peak times stretched across every major street corner of the city. Making the autos illegal would potentially not just throw off the city's transportation system, but overnight relegate a substantial proportion of the city's low income population to the category of the unemployed. The auto ban was not supported by adequate economic and educational programs to facilitate auto drivers to transition to an alternative fuel, an alternative fuel- efficient auto, or even an alternate form of employment. As is obvious, the auto drivers completely ignored the ban, took the protests out onto the streets in violent demonstrations¹⁹¹ and

¹⁹¹See <http://www.thehindu.com/todays-paper/article367586.ece>

figured out numerous creative ways to escape official notice¹⁹². Major English dailies spent many weeks deploring the lack of 'order' and 'discipline' in Indian cities, Kolkata in particular.

Conclusions

Roy (2011: 234), theorizes that state- created zones of exception “cannot be seen to stand outside the spaces of metropolitan habitation. Rather they indicate a specific ‘legal–lethal’ logic of rule that is ever present in the seemingly ordinary spaces of the city”. The discursive practices of 'development/ encroachment', in Kolkata and Hyderabad discussed in this chapter, highlight how these spaces of exception and the 'legal- lethal' logic that normalizes these spaces, eventually replace the 'normal' in material practice. Not only are preferential 'zones of exception' that receive state incentives and subsidies, and that fit 'globalized' imaginations of development deemed to be the preferred and 'legal' model of 'development' over time, but with a parallel discourse of 'encroachments', existing urban ecologies and systems of urban exchange that sustain the majority of the city's low income and poor households are replaced and deemed increasingly 'illegal'.

Developments on the periphery of Kolkata and Hyderabad may be presented in official economic and political rhetoric as new developments built on undeveloped 'greenfield' sites, separated from the main city, yet this separation is consciously built in through public policy. As this chapter highlights these 'greenfield' sites, far from being unused peripheral lands, are integral to the city's ecologies and systems of exchange. The 'development' on these lands is premised on deeming the original people and land uses illegal, achieved through the discursive practices of

¹⁹²See http://www.telegraphindia.com/1090108/jsp/calcutta/story_10360040.jsp

'encroachments'. The strategic use of the 'development- encroachment' discourse becomes even more apparent in the 'globalization' of the main cities' spaces, with iconic projects such as the South City project (Kolkata), the Musi River project (Hyderabad) and the MRTS project (Hyderabad) highlighting that the new globalization project is not ruling out informalities and illegalities from the production of urban space, as such, but only changing the rules about who may produce urban space and receive legal sanction for producing it. Examples from both the periphery and main city areas of Kolkata and Hyderabad highlight how a new 'common sense' regarding development is emerging from these discursive practices, with “valorization of elite informalities and criminalization of subaltern informalities” Gidwani (2006).

Yet 'subaltern informalities' sustain the majority of the populations in Kolkata and Hyderabad, either directly or indirectly. Subjecting 'informal' systems of production, trade and exchange, to displacement and incremental criminalization, systematically sabotages the capacity of the majority of the city's population to survive and sustain themselves. The criminalization is especially short- sighted since the formal economy is often too limited and too rigid to offer reasonable alternatives. Thus the emergent development paradigm driven by 'world city' visions, progressively makes urban systems (especially in cities of the Global South) unsustainable and unable to cope with the demands of the majority of the urban population. Progressive institutional criminalization of subaltern informalities adds to the vulnerability of the already marginalized populations and their wafer- thin margins of operation. Also as the case of Rajarhat highlights, displacements disrupt social systems of resilience developed over time and a sharp

influx of external capital often turns social relationships regressive (refer to footnote 5 on page 6).

Further relegating the majority of the city's population to a welfare agenda increases the public burden on the state (and the third sector) to 'provide' for this population, as there is an increasing need for the state to take an active role in devising social safety nets, previously externalized to informal social and economic systems of exchange. This increases the 'demand' for public debt, from donors and donor agencies, often international agencies, to sustain this welfare agenda. 'World city' claims and 'developmentalism' thus become tied together in a mutually constitutive and self- fulfilling cycle. A greater role for the state in devising social safety nets and ensuring that historically unjust social and economic relationships that often define informal systems of exchange, is of course a highly desirable and progressive agenda. However, replacing a dynamic, diverse systems of exchange and resilience, with less flexible, less efficient and often unjust systems, that institutionally take away agency from a large section of the population can hardly be justified as a manifestation of that progressive agenda. Also 'self- help' schemes devised by the state and the third sector to replicate social systems of exchange, with a more progressive agenda, have to contend with making these schemes grassroots, and self- sustaining, within a top- down model of welfare provision.

Also as the discussion regarding water recharge in Hyderabad and preserving wetlands in Kolkata highlight, subaltern informalities often fulfill no- cost functions of keeping vital systems of urban sustainability alive and viable. Destruction of these livelihoods not only threaten urban

sustainability but over the longer term, the state has to formally take on these costs, encouraging the dynamics of 'developmentalism' further. The new systems put in place also have to deal with issues of financing (monetization of 'benefits' that translates into user fees, which makes urban sustainability itself an elite realm, affordable for a few) and being self sustaining, within a top-down dynamics of management and design, as discussed for welfare projects.

The effects of discursive practices of 'development/ encroachment' on the material spaces and social ecologies of cities such as Kolkata and Hyderabad in the Global South highlight that we have to look beyond these imaginations, even as liberalized development regimes and an ever-expanding 'globalization' project rewrite the 'normal' for development in these cities and put in place self-reinforcing cycles that deem that 'there is no alternative'. In the current moment of economic/ environmental crisis, that have assumed global proportions, metropolises of the South offer the potential to theorize the city as a systemic, sustainable entity, situated partly within (and partly outside) cycles of capital accumulation, rather than simply a spatial agent of global capitalism, subject entirely to cycles of growth and recession.

Chapter 7: Conclusions

This dissertation began as a critical enquiry into the role of the IT sector in the economic development of India and morphed into an enquiry into the sector's broader impacts on the country's political economy. The high-profile sector has been instrumental in making possible much broader changes of liberalization, beyond the direct economic impacts of the sector itself. This research has become important as India's IT story is now an important part of a broader mythology of global convergence and has become part of development prescriptions for countries in Africa, Eastern Europe and Latin America. Within India, the IT sector has given credence to neoliberal prescriptions of economic development for the global South, normalized by international development agencies, such as the World Bank and the World Trade Organization, and private sector consultants, such as McKinsey, PriceWaterHouse Coopers, etc.

In summary, this dissertation analyzes the cases of Kolkata and Hyderabad, to argue that fast-track liberalization in the global South, is often associated with increasing pressures on local governments to gain economic competitiveness and maintain political relevance and local governments often navigate these pressures by incentivizing super-star sectors, such as the Indian IT sector, through exclusionary spatial and fiscal incentives, because these sectors represent global economies of the future, with high potential for growth and value-addition. Incentives made available to such sectors often translates into governments enabling primitive accumulation, in which land and other primary resources are diverted into the hands of a few, who enjoy more power and leverage within the global economy. Diverting land into the hands of

a few means real estate speculation is an important corollary to incentivizing exclusionary sectors such as the IT sector. Even though such practices means greater spatial and economic segregation and inequality instituted via policy, these changes are condoned, even encouraged because the line between economic development and speculative development has become strategically fuzzy in mainstream discourse. With the focus on attracting external investments, there is little differentiation between investments into productive economies and investments into more speculative economies, such as high end exclusive real estate, targeting investor appetite rather than enduser demand.

I argue that in the long-term enabling speculation runs contrary to the state's objectives to gain greater economic and political power. Rather, increase in place- based economic and political vulnerability, arising from speculative economies, engenders increasing use of state power to maintain exclusions, increasingly elaborate strategies to gain public consent and over time declining political legitimacy. This dissertation uses the example of the changes that have occurred in the peripheries of Kolkata and Hyderabad to argue that processes of primitive accumulation increases urban vulnerability, both in economic and environmental terms. Sectors that are not fully globalized and/ or whose benefits are not fully monetized within the formal urban economy (i.e. sectors that depend on informal economic networks) are easily displaced by more globalized sectors, either financially (differential rents that particular users can afford) or because globalized sectors enjoy greater state patronage, including the use of state power to consolidate land. Also harboring speculative economies means local economies are increasingly implicated within global strategies (and investor sentiments) of relative risks and returns, which

further adds to their relative economic vulnerability. Understanding the patterns of speculation that are being encouraged in the global South are also key to understanding future crises that may emerge in the global capitalist system.

Some of the key issues that constitute this overall line of argumentation have been elaborated in the subsequent sections of this chapter. The chapter is divided into six sections:

1. Section 1: Political Ideologies
2. Section 2: The Role of the IT Sector
3. Section 3: Inter- scalar Dynamics of Liberalization
4. Section 4: A New Generation of Enclaving
5. Section 5: Challenging Linear Development Narratives
6. Section 6: Summary

Section 1: Political Ideologies

The two state governments, actively trying to remake Kolkata and Hyderabad into more attractive investment destinations, represent opposite ends of the political spectrum in India's regional politics, with West Bengal under a democratically elected communist government (Communist Party of India- Marxist) for 34 years and Andhra Pradesh under a pro-market government (Telugu Desam Party), with Chandrababu Naidu as the Chief Minister, who preferred to be called the state's CEO. One of the key reasons for selecting the two cities, was to understand the political texture of the liberalization process as it was interpreted and

implemented across the country. Both Kolkata and Hyderabad are state capitals and both were perceived to be second- tier investment destinations when the liberalization process started.

Different political ideologies did not change the general push towards liberalization in the two states, however in consonance with different local histories of public- private collaboration, ideological differences did encourage different strategies to be adopted in the two capital cities. For example the private sector became an important development partner in both the cities, however different forms of public- private partnerships were promoted. The two governments prioritized different categories of investors and provided different forms of land consolidation support to external investors. In both cities, the IT sector played a significant role in the initial stages of economic strategizing and both governments devised high-profile strategies to attract the sector and facilitated private consolidation of land and high-end real estate enclaves in the cities' peripheries, within which IT projects were prominent.

Both regional political parties had similar ambitions to become more significant in national politics, while maintaining a regional mandate (representing regional identity, fulfilling regional needs). This competitive climate added a layer of political motivation and agency to processes of economic regionalism at the state level. Economic decentralization meant both governments had to assume new fiscal responsibilities and reinvent how the particular states and cities were situated within national and global accumulation strategies. Both governments responded to these pressures by focusing on the capital cities, to 'showcase' new investment- friendly policies. This underscored an overall urban shift in the development policies of the two states.

Profile of Investments and Partnerships

In Hyderabad, Naidu pursued high profile corporates, such as Microsoft. He successfully convinced Microsoft to establish its first offshore facility in Hyderabad. He initiated iconic infrastructure projects such as the new international airport at Shamshabad, in direct competition with Bangalore, already colloquially referred to as India's Silicon Valley to gain similar levels of domestic and international recall. Public- private partnerships were premised on one-on-one negotiations with preferred development partners, specifically on high- profile projects.

Infrastructure projects were bundled with large land banks, consolidated through state support and used by the private partner to leverage financing through both debt and equity options. Land banks were an important part of Naidu's successful negotiations with corporates (such as Microsoft), whose demands for campus style developments were accommodated in Hyderabad's peripheries. Naidu's aggressive marketing and approach to governance (with e-governance being an important component), became the gold- standard of good governance, post- liberalization in India. He shot to international recognition and fame in a relatively short time. He pioneered and normalized the ideas of road shows and investor meets. The investors/ corporates he was negotiating with were hyped in the media, but the terms of the negotiations were never divulged. Mooij (2003) terms the strategy as 'hype and hide'. Naidu negotiated a direct state level loan with the World Bank. People/ agencies as diverse as Bill Gates, Bill Clinton, the World Bank, George Bush Jr., Tony Blair and the World Economic Forum, showed their explicit support for Naidu.

In contrast, when Bhattacharya took over as Chief Minister, Kolkata and by extension West Bengal had a very negative image as a business destination. The private sector associated the

state with anti- business sentiments and high levels of union politics. CPI(M) therefore had to rebrand its own image, and the image of Kolkata as a business destination. Unlike the TDP in Andhra Pradesh, CPI(M) could not approach external investors directly. They had to remake relationships with private capital already based out of Kolkata, first. As such, they targeted local developers, whose largest barrier towards creating more housing supply was land supply. The West Bengal state government used Eminent Domain to acquire land and give to a private partner. The private partner provided project management skills and capital (leveraged through self- financing schemes). These local public- private relationships and projects were showcased to external investors, to prove the state government's political will. These first- generation models were socially progressive as they targeted existing demand in the Kolkata market, rather than highest returns on investments. The West Bengal government formed thirteen such partnerships. These projects set the stage for real estate developers to become unofficial advisers to the state government in Kolkata. Unlike Hyderabad, the government focused on attracting real estate developers rather than investments in particular sectors. Kolkata's economic 'resurgence' continued to be focused on capitalizing on urban rents, rather than production of goods and services. Unlike Naidu in Hyderabad, CPI(M)'s and Bhattacharjee's attempts in Kolkata received a lukewarm response, at best, from the business community at large, even though 'Brand Buddha' (the term used by the media to describe Bhattacharjee's term) was celebrated for attempting to break with CPI(M)'s history of union politics.

State Guarantees and State Control

In both cities the role of state guarantees in shoring up the private profit motives of preferred development partners was explicit. However, the two governments approached the question of controlling land supply and land prices differently. In Hyderabad, the state government did not explicitly try to control the periurban land market. They designated large areas, as new statutory development zones and imposed zoning regulations, density and land use controls and building bye- laws. These new development areas gave the state government control over who or what was designated an 'encroachment'. They helped their preferred private development partners consolidate land beyond market appetite (padding the demand), which effectively allowed these partners to gain market control, edging out the competition from small to medium players, who were nonetheless very active (and speculative) in the peripheries. Iconic infrastructure projects such as the Outer Ring Road project (post- Naidu) were the most explicit (albeit indirect) way in which the state government influenced and encouraged private land consolidation and speculation in Hyderabad's peripheries. The state government was implicated in the speculation via charges of nepotism (the ORR project) and the preference they gave to certain private players, such as the Maytas group.

In contrast, in Kolkata, the state government (via the Housing Ministry) tried to control the periurban land market and land prices, through absolute means, initially. Here too, new development areas were designated, but unlike Hyderabad, the land for New Town (the first development area to be designated in the eastern periphery) was acquired using Eminent Domain. Off- site and on- site infrastructure was developed and land sold to developers,

corporates and other end user as developed parcels. The mark up on prices was substantial (argued to be the highest in Asia at the time) and elicited sharp complaints from corporates and developers. Other departments, including the state IT department, argued that state control on land was acting against external investment interest. This led to a further area in Rajarhat being opened up as a laissez- faire zone, where land consolidation and land pricing was left to the private sector. Government guarantees however remained explicit with the presence of the notional development authority called BRADA. A highly speculative market emerged in Rajarhat. The collapse of the CPI(M) and subsequent dismantling of BRADA, led to an absolute collapse of the inflated land market prices in Rajarhat, highlighting the role of government guarantees in land market dynamics.

Development Regimes and Spatial Transformations

State governments trying to politically reinvent themselves in Andhra Pradesh and West Bengal translated into similar patterns at the city-level. In both Kolkata and Hyderabad public decision making became defined by top- down visions and a proliferation of a 'rule of experts'. There was an expanded role for non- state actors including private developers, investors and consultants. Financial viability becoming the new litmus test for project selection. State level policies, such as IT policies reflected the competition between cities/ states for new investments.

The spatial transformations in Kolkata and Hyderabad were similar in form (focus on periurban areas) and content (focus on high- end enclaves and private land consolidation), although the scale of periurban changes in Hyderabad were much more extensive, with peripheral land

markets dwarfing even the main city. In both Kolkata and Hyderabad, the state governments went around the existing planning machinery or changed it to create new and parallel development agencies to implement their visions for the two cities. These parallel planning regimes were officially justified in terms of 'controlling haphazard growth' and curbing speculation. Yet, both cities reveal that new norms of neoliberal governance normalized in both Kolkata and Hyderabad allowed “valorization of elite informalities and criminalization of subaltern informalities” Gidwani (2006). The parallel planning regimes were characterized by state agencies circumventing/ expediting statutory planning processes. There was lack of public participation, even when it was statutorily required and preferred public-private relationships were used to effectively control the production of urban space in the peripheries. In both cities, periurban consolidations continue to remain mostly undeveloped, since their scale outstrips actual enduser demand. State guarantees have not been sufficient to shield developers/ investors from the excesses of over- leveraging and recessionary effects since 2008 have helped sober public and private estimates of new development projections, even as new investment interests from hedge funds looking to diversify post-recession, have become new partners in public-private development coalitions (Goldman 2011).

Section 2: The Role of the IT Sector

The hegemonic influence of the IT sector in India is partly linked to its egalitarian promise of economic and social mobility, especially to the country's urban youth (half of India is under the age of 25). The sector is famous for the rags to riches stories of some of the men (the gender bias is clear) who have been central to the sector's success. Legacy-based cycles of wealth are

important in India and the IT sector is one of the few sectors that seemingly defies those patterns. Thus, aspirations to be part of the sector and its success cuts across socio-economic classes.

The IT sector played a strategic role in normalizing a broader liberalization agenda in both states, but fulfilled different roles within the agendas of the two governments. Also, an IT- led urban development strategy faced different levels of inter- departmental collaboration and conflict in the two states. For Naidu, the IT sector was central to the makeover of his personal image, as well as the image he wanted to create for Hyderabad and extend to the entire state. The technology platform was central to Naidu's political reinvention and he was successful in creating a broad- based consensus amongst different government departments, particularly those active in the development of Hyderabad itself, around the technology platform. As such his IT strategies were implemented without explicit inter-departmental conflicts. In contrast, IT played a strategic, but secondary role to the overall change in CPI(M)'s development agenda in Kolkata under Bhattacharjee's leadership. As mentioned before, the CPI(M) government, pursued external investments via real estate developers. In this project the IT sector played a critical role because of its ability to attract investment and development interest across a variety of high end real estate sectors in keeping with NASSCOM's vision to create self- sufficient IT cities and exclusive IT enclaves, comprising of high end housing, retail, hospitality, hospitals, schools, etc. However, creating new IT hubs in the city with rental rates that were in line with the demands of the industry, ran into multiple inter-departmental conflicts, which highlighted the departments' different interpretations regarding the city's future.

Section 3: Inter- Scalar Dynamics of Liberalization

Liberalization in India was not a monolithic project. Practices and forces operational at different scales were mutually constitutive, and different regions (for example Kolkata and Hyderabad) were mutually constitutive of the overall liberalization project. The national scale has been important for shaping certain aspirations/ desires, as well as exigencies. Certain factors operated at the national scale and affected all the states/ cities across India, for example there was inter-city bidding for development funds under the JNNURM policy. The national level Special Economic Zone policy set criteria for investor incentives and regulated cross- border flow of capital. Institutional financing options were managed at the national scale. India's overall risk perception as an investment destination, affected all states/ cities. New development discourses and aspirations, associated with elite visions of a hypermodern urban India, including emergent discourses about the spatiality of urban areas and IT cities, were shaped at the national scale. Multinational consultants such as McKinsey, NASSCOM the business lobby of IT corporates and a returning emigre population, shaped discourse across states.

At the same time, local regional parties, local histories of political and economic collaborations, and local histories of accumulation cycles shaped the actual approach taken towards liberalization and public- private partnerships in each city. Naidu's approach in Hyderabad and Andhra Pradesh were instrumental in shaping discourses and practices of good governance and external investments across India. Meanwhile the protests (and shooting of farmers) around land acquisitions, in Nandigram and Singur in West Bengal changed public dialogue around land acquisition via the use of Eminent Domain for a new generation of economic enclaves. These

public debates culminated in the Land Acquisition Act, 1894, the principle Eminent Domain legislation in India, to be eventually taken up for parliamentary review.

The preeminence that the real estate sector has gained in capital accumulation strategies, after liberalization in India, has emerged out of state decisions at the local level and public- private negotiations at the local level. Cities such as Kolkata and Hyderabad have been embedded into global and national capital accumulation strategies through high end real estate investment interest, with local states leveraging land to attract investors. Small real estate developers such as DLF, UNITECH and Shapoorji Pallonji have not only become large nationally important companies, but become some of the most explicit ambassadors of urban India post-liberalization.

Section 4: A New Generation of Enclaving

Unlike the historic formats of industrial enclaves in India, new exclusive developments targeting IT investments, spilled beyond designated IT Parks and campuses created for high profile corporates, over onto the cities' periurban areas and in both cities these areas assumed the characteristics of parallel cities with their own real estate and connectivity logics. These extensive periurban rewrites, inter-referencing more developed, more 'global' urban nodes, represent a significant scaling up of the basic enclave logic and a broader aspirational project of hypermodernity, which has emerged in India post-liberalization. Attracting investments from high technology sectors and the populations associated with them (highly educated, globally

mobile and upper income) has been a preferred strategy in both cities to gain more global relevance and put a more popular public face on a broader liberalization agenda.

New enclaves created around the IT sector differ markedly from previous iterations of enclaves.

Firstly, there is a sectoral shift (manufacturing to a high- end services sector), which implies a significant change in how the new economic enclaves are situated vis-a-vis urban areas.

Industrial enclaves were noisy, polluting districts, requiring special zoning, access to water treatment plants, control on air pollution, easy access to ports via roads for heavy vehicular traffic, etc. In contrast, IT Parks and IT cities, such as Cyberabad, epitomize the next- generation, hypermodern urban landscape, with low densities, 'smart' buildings, high end housing, retail, conference centers, hotels, etc. The IT sector has changed the discourse regarding 'economic' infrastructure requiring state support. In IT cities, state support may constitute of consolidating land for high end real estate, providing consumer- friendly municipal functions, developing limited use, high speed road connections to the airport and high- end captive water and power infrastructure, investments in higher education etc. This transition has helped normalize state support for high- end real estate development, more generally. With liberalization in the 1990's, private participation in the development of economic enclaves became more common. However, the newest iterations of enclaving are strongly premised on public- private partnerships. The new generation of enclaves highlight the local state's willingness to use land and real estate to attract external investment interest and allow land to be leveraged for new capital accumulation strategies. Thus these new generation of enclaves are a strategic instrument that allows public and private speculation to be embedded within local urban economies. Speculative investors can

often afford higher rents and over time land consolidation without actual development, and displacement of more sustainable urban uses, increases urban economic and environmental vulnerability.

With the urbanization of enclaves, it is harder to differentiate between the different economic roles that enclaves fulfill versus the economic role that urban areas fulfill, in general. The pre-eminence of the real estate sector within these new enclaves highlights that these projects are not necessarily driven by purely economic objectives but rather aspirational agendas. These factors concatenate into increasing the speculative potential of these new enclaves, in which state is not more the strategic regulator that balances global and local strategies, but rather a partner in speculative and unsustainable behavior. Also because the lines between these new enclaves and aspirational future visions of the city are increasingly fuzzy, these enclaves also represent a growing colonization of the idea of development with exclusive projects of hypermodernity, which can only be achieved through urban fragmentation and violent displacements.

Enclaves have been used strategically in India, within an overall agenda of developmentalism. The structure and logic of enclaves have always been geared towards facilitating private profits, mobility of capital and capital accumulation by a few. However, the urbanization of enclaves has increase their speculative potential. New urban enclaves represent aspirations of countries in the global South to participate in financialized flows of global capital and technology- focused economies of the future, materialized through new public- private collaborations and systems of legal exceptions, particularly in terms of urban land ownership and use.

Post- liberalization, land has emerged as a relatively stable investment asset for investors, including corporates, which has reduced their inclination to build to fulfill end user demand over the short term. This has allowed the embedding of speculative behavior into periurban land markets and speculations have increased the economic vulnerability of the cities. The two groups that stand to lose the most, as a result of this highly lucrative land and real estate industry, are situated at the two ends of the industry chain. The first group comprises of the displaced (self defined as 'land losers' in Kolkata), while the second group comprises of endusers that buy into these real estate fantasies, often with their life savings, only to discover that the infrastructure and high quality of life promised is not actually materialized. It is not easy for end users to exit from their purchase, as there is very little liquidity in the market, dominated and saturated by large scale private developers with well-developed overseas marketing strategies.

Section 5: Challenging Linear Development Narratives

This dissertation critiques mainstream development advice focused on external investments and enclave strategies, encouraged by 'flat world' discourses. In both cities, spatial fragmentation and separation between new external investment driven development areas and existing city areas were strategically implemented by state government agencies via land acquisitions, large- scale displacements, enforcement of new statutory regulations, as well as public policing and private security, as a part of an emergent neoliberal development paradigm. This is contrary to the mainstream argument that these fragmentations are incidental effects of urban growth, and will ultimately be 'flattened'. Friedman's marvel at ruminating cows outside the an IT Park in Bangalore is an evocative cliché of how easily the 'flat world' framing correlates the 'globalized'

with 'development' and 'the rest' with 'under- development'. The state- protected borders were normalized through new interpretations of the categories 'development' vs. 'encroachments', where 'encroachments' became a catch-all phrase to categorize and take action against alternate claims on production of land. Both Kolkata and Hyderabad highlight that discursive practices encouraged by the imageries of a 'flat' world, not only reify 'global' urban spaces and their imaginations over existing urban spaces and economies, but also deem spaces not explicitly part of the 'global' project to be increasingly problematic and in many cases illegal.

These linear narratives have encouraged economic vulnerability in both cities. Periurban land markets harbor both public and private speculations. Speculation of state agencies trying to capitalize on capital gains have been indicted, as cases of nepotism and corruption. However, the state's larger structural role in incentivizing speculation, by acting as a guarantor of exceptional private profits in high end real estate development, has been accepted and even celebrated within the emergent neoliberal development paradigm. Private speculative tendencies are revealed in the lack of actual construction in the periphery despite large scale land consolidation. The hyped-up development projections used to justify these land consolidations, have not materialized in either city and most of the land remains undeveloped and subject to 'encroachments'.

Official narratives/ justifications for periurban expansion deem these areas to be 'blank slates', or simply 'urban frontiers'. They do not include assessments of what these displacements implicate for overall urban and regional sustainability. Yet, the periurban changes in the two cities have been effected through displacement of periurban populations and land uses, often through

explicit (and violent) use of public and private force, which have affected systems of food, water and waste exchange. In line with Harvey's thesis of 'accumulation via dispossession', the extensive remaking of urban peripheries is made possible only through transfer of land from one set of population to another (based on a particular top- down vision of urban development). These transfers have disenfranchized and marginalized an already vulnerable low- income population, sustaining itself with minimal connections to the urban cash economy, and providing low cost urban and environmental services. Official valuation processes have reinterpreted the use and ownership of land, and allowed it to be converted from a production resource to a consumption good. The alternate interpretations and claims on land have emerged in contestations over land acquisition and questions of 'adequacy' of compensation.

New state- sponsored speculations being embedded in local markets have possible implications on future crises in the global system of capital accumulation. The dissertation argues that the dynamics of new urban growth (new investments, increase in real estate transactions, construction and management), despite being celebrated, are premised on creating elite enclaves, cut off from the rest of the cities' systems of economic and environmental metabolism. Thus, linear development discourses and the practices associated with them, such as prioritizing external investments through legal exceptions and enclaving are contributing to the increase in urban economic and environmental vulnerability in the global South.

In both states, the road to neoliberalism was fraught with internal schisms, which ultimately cut short the political trajectories of both regional political parties that formed the respective state

governments. The CPI(M) in West Bengal spun out a balancing act between its communist credo and neoliberal practices to attract external investments into Kolkata, which increasingly became marked by state-supported violence and public protests, Naidu led a double life, moving between his images of the tech- savvy Chief Minister of Andhra Pradesh and his populist persona in rural Andhra politics, until rising rural distress cut his political career short. Ultimately, neither state government was able to balance exclusionary strategies for external investors with attempts to maintain a popular political base, thus highlighting that these processes are also linked to increasing political vulnerability.

Section 6: Summary

The remaking of Kolkata and Hyderabad offers insight into new hyper-modern aspirations in the Global South, that find resonance in discourses regarding 'convergence', but are materialized by the privileging of new forms of consumerism and transnational cosmopolitanism. The aspirations and desires of a select group of urban residents associated with the Knowledge Economy sectors, are prioritized and fulfilled by reshaping urban space and politics to create new enclaves, new channels of international mobility (both personal and financial) and new political contracts of citizenship and property rights. The role of this group as good, even idealized consumers, within a newly emergent neoliberal environment, is particularly important, since the discourse valorizing the group is focused on their productive contribution to 'high growth, high-value, economies of the future'. Nonetheless these economies of the future are in reality often low value service-functions, within a relatively constricted global offshoring industry, with very low potential of generating productive multipliers for the domestic economy. The promotion of the IT

sector and large- scale corporatization/ privatization of land holdings in urban peripheries of Kolkata and Hyderabad, thus reveals more than the economic project of a country in the Global South trying to participate in the global market and highlights the political project of 'graduated sovereignty' that has been used to materialize that economic project, with limited success.

There is growing interest in 'Resurgent Asia' and the Asian crisis has receded from immediate memory. However Kolkata and Hyderabad highlight that Asian cities with high-growth potential trying to tie into volatile investment flows remain susceptible to the tendency to conflate real estate investments and economic investments, which in turn impacts urban capacity to respond to economic and environmental concerns and increases urban vulnerability in times of financial and environmental crises. The cities highlight that investment volatility is not simply a function of foreign investment flow, but also linked to domestic investor strategies. The displacements through which these new developments have been materialized highlight trade-offs between sustainability and growth initiatives extend beyond the context of 'emerging' economies and are relevant across the Global South and Global North. This research points towards the need to develop better theoretical and practice-based understanding of public-private negotiations over land market and land use decisions, as well as costs and benefits that need to be made explicit, to assess value of public goods beyond financial rates of return, both at the policy and project levels. It also highlights the need to theorize cities beyond growth upswings and beyond policy directives that simplify urban aspirations to maximizing cities' role as sites of global capital accumulation.

APPENDIX

JNNURM (Jawaharlal Nehru National Urban Renewal Mission) launched in 2005, has been one of the biggest policy shifts post liberalization for cities across India. The Mission is set up explicitly to link central government assistance for urban development to market reforms introduced in the city and adopted by the state government. As such the Mission has become an important policy instrument for city (and state) level liberalization. The mission subsumed the Mega City scheme launched in 1993-94 (targeting Kolkata, Hyderabad, Chennai, Mumbai and Bangalore). The Mission involves an outlay of INR 500 billion and potentially covers 63 cities across India. The Mission is based on the premise that urban areas represent the 'growth engines' of India's future and their modernization and growth will lead to the growth of the entire Indian economy. The Mission forecasts that urban economies will contribute to more than 65% of the Indian economy in the future (JNNURM Sub Mission 1 Overview 2005: 3). One of the key objectives (Objective [d]) of the Mission is “planned development of identified cities including peri-urban areas, outgrowths and urban corridors leading to dispersed urbanization” JNNURM Sub Mission 1 Overview 2005: 5).

Despite JNNURM's claims regarding 'dispersed urbanization' its focus on the metropolitan urban centers in India is a significant departure from earlier urbanization policies, in India, which prioritized balanced regional development, development of satellite urban centers to reduce the pressure of urbanization on metropolitan centers, development of small and medium sized towns to absorb the bulk of rural- urban migration, without increasing the pressure on metropolitan centers etc. Post- JNNURM, the bulk of centrally disbursed urban funds have been directed towards metropolitan centers. The newly refashioned In contrast, the Integrated Development of Small and Medium Towns (IDSMT) covers 5,092 urban centers in India (as per Census 2001), not under the purview of JNNURM. The share of the outlay

between mega-cities and other cities is strongly skewed in favor of mega-cities. For the 2005-06 period only INR 4 million (USD 80,000) was released by the Urban Development Ministry to 275 projects across 182 towns covered under the IDSMT scheme. The Standing Committee on Urban Development in their report “Demands for Grants”¹⁹³ to the 14th Lok Sabha, criticize this 'meager amount' and recommend that at least INR 1.1 billion (USD 22 million) be made available to these projects in the 2006-07 period (pg. 20). In comparison, an amount of INR 1.2 billion (USD 24 million) was earmarked for three projects in Mumbai, Chennai and Hyderabad (pg. 15) for a 2006-07 against a budgeted amount of INR 3.1 billion (USD 62 million). The Standing Committee recommended that the Urban Development Ministry make all of the INR 3.1 billion available to the cities in the 2006-07 period (Urban Development Standing Committee Report to the 14th Lok Sabha 2005-06).

Structure of the JNNURM Policy

The Mission has been separated into two separate 'sub- missions', the first targeting 'Urban Infrastructure and Governance' and the second, 'Basic Services for the Urban Poor'. In modern urban studies megacities of the South have been historically construed as the counter-point to 'global' cities, 'command and control' points for the global economy. This construction has created the basis for 'developmentalism' (Robinson 2002: 531) where the 'herculean problems of underdevelopment — poverty, environmental toxicity, disease — are the grounds for numerous diagnostic and reformist interventions. The megacity can therefore be understood as the ‘constitutive outside’ of contemporary urban studies, existing in a relationship of difference with the dominant norm of the ‘global city’—urban nodes that are seen to be command and control points of the world economy' (Roy 2011: 224). Policy interventions, such as JNNURM, translate the historic dichotomy in urban studies into urban policy by separating interventions into urban spaces that are to be remade into 'globally competitive spaces' and spaces to receive 'developmentalist' measures, such as 'basic services', into two separate portfolios of urban investment. By

¹⁹³Available at <http://164.100.24.208/ls/CommitteeR/urban/14threport.pdf> Accessed 17th June 2011

separating the two, the Mission sends a clear signal regarding the importance accorded to the role of the 'urban poor' in the urban economy, despite the economic structure of Indian cities, where the informal sector accounts for 40 to 70% of the urban economy (SEWA 2011, GOI 2010) and is often the engine of social reproduction for a large majority of the cities' populations.

Pre-requisites of JNNURM Funding

The Mission has come in for a lot of critique from those in academia and those in the social sector. Particularly controversial have been the prerequisites that city governments have to fulfill to be considered for funding, much like the structural adjustment requirements laid down by the IMF and the World Bank. One of the pre-requisites of the JNNURM scheme is the repeal of the Urban Land Ceiling Act, notified in 1976, to prevent urban land hoarding (JNNURM Sub Mission 1 Overview 2005: 12). The Land Ceiling Act put a ceiling on the amount of land that an individual or corporate entity can own within a city. Despite problems with implementation, the Urban Land Ceiling Act, remains one of the most ambitious social justice reforms, initiated in post- colonial India. For obvious reasons the Act has no place in post- liberalization India, with states vying to sweeten external investment deals through offers of land and real estate. The Mission also mandatorily demands reform of Rent Control Laws, which are heavily tenant- friendly in India currently, 'balancing the interests of landlords and tenants' (JNNURM Sub Mission 1 Overview 2005: 13). The JNNURM has also played a key role in amplifying the link between the IT sector and governance, since one of the 'mandatory' reforms posted by the Mission is that state governments introduce e-governance. The 'optional reforms' include "simplification of legal and procedural frameworks for conversion of land from agricultural to non-agricultural purposes', 'structural reforms' and 'encouraging PPP' (JNNURM Sub Mission 1 Overview 2005: 13).

The structuring of JNNURM highlights a few important directions of urban development post-liberalization, in India. Firstly, the focus on metropolitan centers, which act as 'primate' cities. The earlier focus on balanced regional development as well as decongestion has been abandoned. The second the large cities have been divided into two separate regimes of planning interventions. The 'global' spaces of the city targeted by sub-mission I is set to improve the image of the city especially in the eyes of external investors, while sub- mission II adopts a welfare approach to the city's non- 'global' spaces and focuses on improving their access to basic services. The 'reform' mandates of the JNNURM exemplify what Gregory (2010: 84) argues regarding spatial technologies of exception, “this performative spacing works through the law to annul the law; it is not a ‘state’ of exception that can be counterpoised to a rule-governed world of ‘normal’ politics and power”, referring to Agamben's theory regarding the 'state of exception'. Policies such as JNNURM 'normalize' the exception to the law, within the body of the law, so social justice itself is written out of the mainstream development discourse, retaining its place only as a welfare addendum, institutionalizing an inherent dichotomy into the city's structure.

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